PhilPlans First, Inc.
(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PhilPlans First, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PhilPlans First, Inc. (a wholly-owned subsidiary of Maestro Holdings, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PhilPlans First, Inc. as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which discusses that on January 2, 2024, the Company received the approval letter of the Commission dated December 18, 2023 on the 2022 Annual Statement and the related synopses of the Company, following the Company's letter dated November 9, 2023 which highlighted the following: (1) the leveling-off of the breaches on equities until December 31, 2023; (2) the increase in appraised value of a real estate property; and (3) the Company's commitment to contribute corporate assets, when needed, as part of its action plan approved by its Board of Directors pursuant to Section 36 of the Pre-need Code. As of December 31, 2023, the computed trust fund deficiencies for Pension and Education amounted to ₱102.30 million and ₱241.92 million, respectively, of which ₱102.30 million and ₱102.85 million, respectively, are attributable to excess of certain investments over the prescribed limits under Section 34 of the Pre-Need Code of the Philippines, IC Circular Letter No. 2022-25 and IC Circular Letter No. 2022-37. There is also liquidity reserve deficiency of ₱1.74 billion on Education. On January 8, 2024, the Company submitted its letter to the Commission dated January 2, 2024 requesting an extension period of two (2) years from December 31, 2023 to level-off the breaches on PSE equity per aggregate and single issuer limits citing the loss incurred on the disposal of 1,000,000 PSE equity shares in July 2023 and that deferment of the disposal of the remaining PSE shares is a prudent measure not to incur further loss and the improving behavior of the equity market. As of report date, management has yet to receive a response from the Commission. To address the trust fund deficiencies as of December 31, 2023, the Company issued a letter of instruction to the trustee banks for the disposal of the PSE shares for both Pension and Education. As of June 25, 2024, a total of ₱102.33 million and ₱50.00 million was contributed to Pension and Education Trust Accounts, respectively, to fully and partially cover the trust fund deficiency for Pension and Education, respectively. For the liquidity reserve deficiency, management's action plan is disclosed in Note 2. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010
Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PhilPlans First, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027
PTR No. 10079998, January 6, 2024, Makati City

June 25, 2024

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents (Notes 7 and 26)	**₱495,535,919**	₱717,826,534
Financial assets (Notes 6, 8, 26 and 27)		
Financial assets at fair value through profit or loss	**130,391,482**	106,667,032
Loans and receivables - net	**117,103,634**	104,455,139
Prepayments and accrued income (Notes 9 and 26)	**17,419,692**	15,055,142
Investments in trust funds (Notes 2 and 10)	**17,975,246,012**	18,623,406,761
Insurance premium fund (Notes 11 and 26)	**264,848,898**	250,136,127
Property and equipment (Note 12)	**38,427,444**	13,751,244
Service assets - memorial lots (Notes 6 and 13)	**4,497,650,718**	4,663,747,394
Net pension asset (Notes 6 and 18)	**–**	15,265,462
Other assets (Note 14)	**87,166,508**	85,540,153
	₱23,623,790,307	₱24,595,850,988
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Notes 15, 26, 27 and 30)	**₱5,446,360,887**	₱5,330,138,872
Pre-need reserves (Notes 2, 6, 16 and 26)	**12,704,987,091**	13,730,334,614
Other reserves (Notes 6 and 17)	**183,299,552**	203,152,528
Net pension liability (Notes 6 and 18)	**2,755,854**	–
Deferred tax liability (Notes 13, 18 and 25)	**883,300,452**	916,175,323
	19,220,703,836	20,179,801,337
Equity		
Capital stock (Note 19)	**700,000,000**	700,000,000
Retained earnings (Note 19)	**3,752,237,464**	4,020,765,681
Other comprehensive income:		
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 10)	**(25,545,430)**	(291,870,956)
Remeasurement losses on defined benefit plan (Note 18)	**(23,605,563)**	(12,845,074)
	4,403,086,471	4,416,049,651
	₱23,623,790,307	₱24,595,850,988

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
INCOME		
Premiums (Note 28)	**₱682,212,454**	₱809,760,510
Trust fund income (Notes 10 and 20)	**977,047,745**	105,928,237
Interest and other income (Note 21)	**101,532,952**	65,303,737
Income from service assets - memorial lots (Notes 11 and 13)	**14,384,421**	512,949,982
Sale of memorial lots - inventories (Note 11)	**16,437,248**	20,406,769
	1,791,614,820	1,514,349,235
COSTS AND EXPENSES		
Cost of contracts issued:		
Plan benefits expense	**2,609,271,951**	3,320,086,279
Decrease in pre-need reserves (including trust fund contributions (Notes 16)	**(1,025,347,523)**	(2,347,166,005)
Decrease in other reserves (Note 17)	**(19,852,976)**	(23,571,187)
Documentary stamp tax and Insurance Commission registration fees	**2,106,772**	1,943,857
Total cost of contracts issued	**1,566,178,224**	951,292,944
General and administrative expenses (Notes 23)	**278,926,539**	266,610,635
Other direct costs and expenses (Notes 11 and 22)	**107,725,989**	85,696,251
Selling expenses (Note 27)	**50,953,979**	46,501,845
Cost of sale of memorial lots (Notes 11)	**11,370,297**	14,461,760
	2,015,155,028	1,364,563,435
INCOME BEFORE INCOME TAX	**(223,540,208)**	149,785,800
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**44,988,009**	215,743,391
NET INCOME (LOSS)	**(₱268,528,217)**	(₱65,957,591)

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
NET INCOME (LOSS)	**(₱268,528,217)**	(₱65,957,591)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified into profit or loss:		
Remeasurement gains (losses) on defined benefit plan - net (Note 18)	**(10,760,489)**	4,393,117
Item that will be reclassified into profit or loss:		
Net changes in fair value of financial assets at fair value through other comprehensive income (Note 10)	**266,325,526**	(310,380,844)
	255,565,037	(305,987,727)
TOTAL COMPREHENSIVE INCOME (LOSSES)	**(₱12,963,180)**	(₱371,945,318)

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Note 10)	Remeasurement Gains Losses on Defined Benefit Plan (Note 18)	Retained Earnings (Note 19)			Total
				Restricted	Unrestricted	Total	
Balance at January 1, 2023	**₱700,000,000**	**(₱291,870,956)**	**(₱12,845,074)**	**₱–**	**₱4,020,765,681**	**₱4,020,765,681**	**₱4,416,049,651**
Net income for the year	**–**	–	–	**977,047,745**	**(1,245,575,962)**	**(268,528,217)**	**(268,528,217)**
Other comprehensive income	**–**	**266,325,526**	**(10,760,489)**				**255,565,037**
Total comprehensive income	**–**	**266,325,526**	**(10,760,489)**	**977,047,745**	**(1,245,575,962)**	**(268,528,217)**	**(12,963,180)**
Reversal of appropriation	**–**	–	–	**(977,047,745)**	**977,047,745**	–	–
Balance at December 31, 2023	**₱700,000,000**	**(₱25,545,430)**	**(₱23,605,563)**	**₱–**	**₱3,752,237,464**	**₱3,752,237,464**	**₱4,403,086,471**
Balance at January 1, 2022	₱700,000,000	₱18,509,888	(₱17,238,191)	₱-	₱4,086,723,272	₱4,086,723,272	₱4,787,994,962
Net income for the year	–	–	–	105,928,237	(171,885,828)	(65,957,591)	(65,957,591)
Other comprehensive income	–	(310,380,844)	4,393,117	–	–	–	(305,987,727)
Total comprehensive income	–	(310,380,844)	4,393,117	105,928,237	(171,885,828)	(65,957,591)	(371,945,318)
Reversal of appropriation	–	–	–	(105,928,237)	105,928,237	–	–
Balance at December 31, 2022	₱700,000,000	(₱291,870,956)	(₱12,845,074)	₱–	₱4,020,765,681	₱4,020,765,681	₱4,416,049,651

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱223,540,208)**	₱149,785,800
Adjustments for:		
Decrease in pre-need reserves (Note 16)	**(1,025,347,523)**	(2,347,166,005)
Trust fund income (Notes 10 and 20)	**(977,047,745)**	(105,928,237)
Income from service assets - memorial lots (Notes 11 and 13)	**(14,384,421)**	(512,949,982)
Decrease in other reserves (Note 17)	**(19,852,976)**	(23,571,187)
Interest income (Notes 7, 8, 11 and 21)	**(36,840,426)**	(17,516,334)
Depreciation and amortization (Notes 11, 12 and 23)	**11,660,501**	10,088,034
Retirement expense (Note 18)	**3,910,598**	5,063,033
Fair value gain (loss) on financial assets at FVTPL (Notes 8, 11, and 21)	**(14,260,571)**	2,114,088
Fair value loss (gain) on investment property - net (Note 11)	**(3,619,500)**	(916,500)
Insurance premium fund income (Note 11)	**(935,562)**	(46,520)
Gain on sale of property and equipment (Notes 12 and 21)	**(127,700)**	(317,856)
Provision for (recovery of) credit and impairment losses (Notes 8 and 11)	**14,232,866**	(36,508)
Operating loss before working capital changes	**(2,286,152,667)**	(2,841,398,174)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(26,930,447)**	65,556,805
Prepayments and accrued income	**(1,021,061)**	(4,900,854)
Other assets	**(1,626,355)**	808,286
Increase (decrease) in accrued expenses and other liabilities	**116,681,767**	(1,421,399,087)
Net cash flows used in operations	**(2,199,048,763)**	(4,201,333,024)
Contributions to the retirement fund (Note 18)	**(236,600)**	(443,424)
Income taxes paid	**(89,930,152)**	(314,321,345)
Net cash flows used in operating activities	**(2,289,215,515)**	(4,516,097,793)

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**₱35,496,937**	₱17,048,004
Proceeds from withdrawals from:		
Trust funds (Note 10)	**2,398,070,118**	4,692,396,481
Insurance premium fund (Note 11)	**38,762,368**	74,461,760
Proceeds from disposal of:		
Investment properties and memorial lots withdrawn from insurance premium fund (Note 11)		–
Service assets - memorial lots	**174,914,787**	129,697,734
Property and equipment (Note 12)	**127,700**	1,285,857
Acquisitions of:		
Property and equipment (Note 12)	**(10,427,539)**	(12,141,009)
Contributions to:		
Financial assets at FVTPL	**(20,000,000)**	–
Insurance premium fund (Note 11)	**(64,029,264)**	(73,381,836)
Trust funds (Note 10)	**(485,990,207)**	(97,720,591)
Net cash flows provided by investing activities	**2,066,924,900**	4,731,646,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(222,290,615)**	215,548,607
CASH AND CASH EQUIVALENTS, BEGINNING	**717,826,534**	502,277,924
CASH AND CASH EQUIVALENTS, END (Note 7)	**₱495,535,919**	₱717,826,534

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

PhilPlans First, Inc. (the Company) was incorporated in the Philippines to engage in the development of lawful institutional mediums for the maintenance, conduct, operation, marketing and sale of any and all types of securities (without acting as stock broker), including, but not limited to, education, pension and life plans. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1989.

The corporate life of the Company is 50 years. On February 20, 2019, Republic Act No. 1132, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law by President Rodrigo Duterte. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Company is deemed to have selected a perpetual term.

The Company is a wholly-owned subsidiary of Maestro Holdings, Inc. (the Parent Company), an entity incorporated in the Philippines.

The Company's registered office address and principal place of business is at 14th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

2. Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties and service assets - memorial lots (including those in the investments in trust funds and insurance premium fund) which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. Amounts are adjusted to the nearest Philippine Peso unit, unless otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

<u>Statement of Compliance</u>
The accompanying financial statements of the Company, which are prepared for submission to the Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR) and the Insurance Commission (IC or the Commission), have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA)* and applicable IC Circular Letter and accounting requirements as disclosed in Note 3.

The specific accounting policies followed by the Company are disclosed in Note 5.

Status of Investments in Trust Funds, Pre-need Reserves and Benefits Payable

As of December 31, 2023 and 2022, there are trust fund deficiencies on pension and education (see Note 10), but overall, the excess of investments in trust funds of the Company amounted to ₱128,910,435 and ₱26,236,160, respectively, as follows:

	December 31, 2023	December 31, 2022
Investments in trust funds (Note 10)	**₱17,975,246,012**	₱18,623,406,761
Less ‘Pre-need reserves’ (Note 16)	**12,704,987,091**	13,730,334,614
Excess of investments in trust funds over pre-need reserves	**5,270,258,921**	4,893,072,147
Less ‘Benefits payable’ (Note 15)	**4,571,883,857**	4,293,954,558
Subtotal	**698,375,064**	599,117,589
Less: Adjustment on real estate (40% of appraisal increment)	**218,501,099**	127,394,999
Subtotal	**479,873,965**	471,722,590
Less		
Single issuer limit – PSE	**336,108,565**	443,545,267
Single entity limit – Long term commercial papers	**14,854,965**	1,941,163
Excess of investments in trust funds	**₱128,910,435**	₱26,236,160

Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*

2022

On January 5, 2022, the Company provided updates to the Commission with the recent developments in its liquidation program for service assets, as well as request for approval of its separate trust fund into the mandatory trust fund and liability management program. In this letter, , the Company sold service assets amounting to ₱406,023,040 and replaced service assets amounting to ₱917,828,000 with cash. Furthermore, the Company indicated that it has contributed ₱2,562,255,260, consisting of cash infusions amounting to ₱825,987,260 and investment in trust fund managed by LandBank amounting to ₱1,736,268,000, and has paid its benefit obligations amounting to ₱12,780,910,015 to the plan holders. The Company mentioned in this letter that it has also finalized the negotiation on the sale of another service asset.

On February 28, 2022, the Commission provided ATRAM Trust Corporation (ATRAM) and Union Bank of the Philippines (UBP) a letter informing the trustee banks that the investment in trust assets managed by these trustee banks have already exceeded the individual limits on equities provided under Section 34 of the Pre-need Code. The Commission directed these trustee banks to level off the excess investments in stocks of PSE (issuer) until end of the second quarter of 2022. Failure to level off the excess investments to the Commission’s prescribed limits shall prompt the Commission not to consider the said excess investments in the determination of sufficiency of trust funds. In addition, the Commission also reiterated the requirement in its letter dated December 4, 2019 to liquidate the Heritage memorial lots under ATRAM, with total exposure as of December 31, 2021 of ₱258,560,000 and ₱90,900,000 for life and education trust funds.

On March 16, 2022, the Company responded to the Commission’s letter sent to the trustee banks ATRAM and UBP dated February 28, 2022. The Company requested to extend the period to level off the excess investments until December 31, 2022.

On April 11, 2022, the Company officially sent a letter to the Commission to again request for its approval for the investment in trust fund managed by LandBank to be considered as part of mandatory trust fund.

On April 12, 2022, the Company received the letter from the Commission dated March 24, 2022 which approved the Company's request for the extension to level-off the excess equity investments until December 31, 2022. The Commission also requested for a clarification on the additional purchases of shares of stock and noted the sales of service assets in one of the trustee banks. The Commission also reminded the Company about the service assets held under ATRAM which should have been liquidated in full but only shows minimal sales in 2021.

On April 12, 2022, the Company advised the Commission that the EDSA property was already sold in accordance with the Commission's directive to level-off the excess service asset to address the trust fund deficiency.

On April 18, 2022 the Company acknowledged the Commission's approval on the extension to level-off the excess equity investment up to December 31, 2022 and clarified that there were no additional purchases of PSE shares of stock as this was just a transfer from one trustee bank to the other trustee banks. Likewise, the Company requested for updates from the Commission on the approval of its investment in trust fund managed by LandBank.

On May 12, 2022, the Company submitted the Company's amended trust agreement with LandBank and the corresponding asset portfolio.

On May 16, 2022, the Company received the letter from the Commission dated May 6, 2022. In this letter, the Commission acknowledged that the additional PSE shares were simply transferred from one trustee bank to another and are not new acquisitions. On the request for approval of trust fund agreement with LandBank, the Commission indicated that this has been discussed during the meeting between the representatives from the Commission and the Company and will be addressed by the Commission in a separate letter.

On May 24, 2022, the Company received a letter from the Commission dated May 13, 2022 in response to the Company's submission of an amended trust agreement with LandBank and the corresponding asset portfolio dated May 12 2022. In this letter, the Commission interposed no objection to the proposed amendments to the Company's trust fund agreement with LandBank pursuant to IC CL Nos. 2-2013 and 2013-26. The Commission, however, cited the observations based on the review of the trust fund agreements:

(1) The service assets of each trust fund for Pension, Life and Education have exceeded the prescribed limit under IC CL No. 08-2012. The service assets for Pension, Life and Education trust fund accounted for 30.92%, 16.08% and 35.74% of the total trust fund value per trust fund statement as of March 31, 2022. In addition, the Commission also highlighted that for Life plans, memorial lots/columbaries that are not part of the package of a funeral service shall be considered as inventories held for sale and shall be considered as real estate. The Commission further highlighted that such asset category shall not exceed 15% of the trust fund and that no investment in any single entity shall exceed 10% of the total value of the trust fund. In this case, the Company is allowed only up to 10% of the trust fund for memorial lots being Heritage Memorial Part as the sole provider of the memorial lots. Lastly, the Commission also mentioned that memorial lots do not qualify as service assets for the Education and Pension Plans as these assets are not intended for resale and cannot be used to offset future liabilities of the Education and Pension Plans.

(2) The assets under the Real Estate category of its Education Trust Fund was at 14.60% which already exceeded the 12.00% limit under IC CL No. 2017-28.
(3) The Commission highlighted that the placements in savings or time deposits for each trust fund per pre-need plan category are not yet approved as the amended trust fund agreement is not yet approved, which is not consistent with the requirements of IC CL 2019-19 which provides that no pre-need company may invest its trust funds in savings or time deposits without prior approval.

The Commission directed the Company to level off the excess investments in service assets and real estate on or before December 31, 2022 and to comply with the requirements of IC CL 2019-19.

On May 30, 2022, the Company responded to the Commission's letter dated May 13, 2022 regarding the exclusion of service assets from the trust fund managed by LandBank under the Education and Pension plans. In this letter, the Company clarified the treatment of the service assets in the form of memorial lots under the Pension and Education trust funds and justified its rationale for including such as service assets under Pension and Education trust funds.

On May 31, 2022, the Company wrote another letter to respond to the same letter from the Commission dated May 13, 2022 regarding the limits applicable to service assets. In this letter, the Company stated that memorial lots as service assets should not be treated as financial assets but rather as physical assets with stable value, hence the single entity rule is not applicable. Management believes that the use of the 15% limit on the service assets is fair and acceptable.

On June 10, 2022, the Company submitted to the Commission its 2021 audited financial statements. In the same letter, the Company requested for the issuance of its license.

On June 20, 2022, the Company requested to the Commission for the approval to invest in the various Time Deposits and Unit Investments Trust Fund as a requirement under IC Circular Letter No. 2019-29, *Guidelines on Investment of Trust Fund in Savings/Time Deposit and Unit Investments Trust Funds*.

On July 18, 2022, the Commission issued IC CL No. 2022-37, *Amended guidelines on allowable investments for Pre-need trust funds,* effective immediately. This Circular provides certain additional investments outlets which shall be allowed as 'Other Investments' with corresponding limits determined based on the historical acquisition cost of the investments. The Circular also provides changes of treatment on existing service assets of Pre-need Companies. The Circular stated that Pre-need companies should liquidate the balances of its service assets for a period of three (3) years from the effectivity of IC CL No. 2022-37 This supersedes the previous investment requirements of IC CL No. 08-2012, *Allowable Investments for Pre-Need Trust Funds.*

On August 03, 2022, the Company requested the Commission's approval to allow LandBank to invest in special savings deposits/time deposits for a maximum amount of ₱500.000 million for each of the Land Bank Trust Banking Group (LPB TBG/LBP) Accredited Counterparty Banks.

In its letter dated September 15, 2022, the Company presented to the Commission the initial calculation of trust fund sufficiency as of December 31, 2021 and March 31, 2022 considering the requirements of IC CL No. 2022-37. In its calculation, the Company included after-date transactions approved by the Commission such as the inclusion of Investment in Trust Fund managed by LandBank amounting to ₱1,401,736,369 and the impact of the sale of the EDSA property. The initial calculation of the trust fund sufficiency as of December 31, 2021 resulted to a surplus of ₱1,260,542,636, after considering after-date transactions of ₱1,390,440,613 and prior to applying the excess over the limits on total equities and investment in single issuer amounting to ₱823,968,765. The resulting overall surplus was reduced to ₱436,573,871 after excess on the required limits, net of trust fund deficiency on Education of ₱211,181,579. On the other hand, the initial calculation of trust fund sufficiency as of March 31, 2022 resulted to a surplus of ₱1,287,927,810 after considering after-date transactions of ₱1,409,091,375 and prior to applying the excess over the limits on total equities, investment in single issuer for equities, real estate and investment in single issuer for long term commercial papers totaling to ₱933,371,861. The resulting overall surplus was reduced to ₱354,555,950 after excess on the required limits, net of trust fund deficiency on Education and Pension of ₱153,636,137 and ₱59,884,432, respectively. In the same letter the Company requested for an extension to level off the breach up to December 31, 2023 and to exclude the excess over the limits on equities in the calculation of trust fund sufficiency. The Company highlighted in the letter that the trustee banks liquidated the fixed income instruments to pay off the maturing obligations and maintained the level of equity investments in anticipation of the projected recoveries. The Company reiterated in the letter that these actions were taken to secure the trust fund values and to protect the interest of its planholders. The Company also included in the letter the strategies and the recommendations of its trustee banks to maintain the existing level of investment in equities.

On October 4, 2022, the Company received a letter from the Commission dated September 20, 2022 responding to its letter dated September 15, 2022. In this letter, the Commission directed the Company to furnish various documents and schedules pursuant to the requests of the Company for an extension to level-off the breaches on equities per aggregate and single issuer limits up to December 2023; and exclusion of the excess equity breaches from the trust fund sufficiency determination if not yet levelled-off by December 2023. These include the final report of the agreed-upon procedures to determine the value of the trust funds in accordance with the requirements of IC CL No. 2022-37 as of December 31, 2021 and March 31, 2022, the detailed schedule as of December 31, 2021 and March 31, 2022 to support the computed amount of the value of trust funds at cost, the detailed projected quarterly schedule of planholders' benefits payable that will be availed until December 31, 2023 and the related source to pay such benefits; and the approval of the Board of Directors of the Company for the request to extend the levelling-off of equities up to 2023.

On September 27, 2022, the Company submitted to the Commission the following documents pursuant to the Company's letter dated September15, 2022:
1. Asset Maturity Profile as of March 31, 2022 versus 2023 quarterly projection of benefits payout;
2. Board approval of the request to extend the levelling-off of equities up to 2023; and
3. Metropolitan Bank and Trust Company – Trust Banking Group's 3 Years Investment Outlook.

On October 13, 2022, the Company received the letter from the Commission dated September 30, 2022 in response to its letter dated September 27, 2022. In this letter, the Commission acknowledged the Company's submitted documents per Company's letter dated September 27, 2022. In addition, the Commission directed the Company to submit the remaining requirements as contained in the Commission's letter dated September 20, 2022 to complete the Commission's evaluation of the Company's request to level-off the breaches on equities.

On October 6, 2022, the Company submitted to the Commission the final computation of its trust fund sufficiency as of December 31, 2021 and March 31, 2022, applying the requirements of IC CL No. 2022-37 which was received by the Commission on October 7, 2022. The final calculation of trust fund sufficiency as of December 31, 2021 resulted to a surplus of ₱1,260,542,636, after considering after-date transactions of ₱1,390,440,613 and prior to applying the excess over the limits on total equities and investment in single issuer amounting to ₱640,178,606. The resulting surplus was reduced to ₱640,364,030 after applying the excess on the required limits, net of trust fund deficiency on Education of ₱116,589,562. On the other hand, the final calculation of trust fund sufficiency as of March 31, 2022 resulted to a surplus of ₱1,299,633,505, after considering after-date transactions of ₱1,409,091,375 and prior to applying the excess over the limits on total equities, investment in single issuer for equities, real estate and investment in single issuer for long term commercial papers totaling to ₱633,232,243. The resulting overall surplus was reduced to ₱666,301,262 after excess on the required limits, and all pre-need plan category showed a surplus. In this letter, the Company requested from the Commission the issuance of its license.

On October 18, 2022, the Company submitted the breakdown per plan category of its asset maturity profile as of March 31, 2022 versus 2023 quarterly projection of benefits payout pursuant to the Commission's letter dated September 30, 2022. The submission was received by the Commission on October 19, 2022.

On October 28, 2022, the Company responded to the Commission's letter dated October 24, 2022 on the verification of the 2021 Annual Statement. In this letter, the Company clarified that the Liquidity Reserve Requirement Deficiency in the Company's Education Plan amounting to ₱1,543,190,912 is due to the assumption that the unclaimed benefits payable of ₱2,280,542,610 will be claimed. The Company presented the various historical availment rates for the Commission to consider in the computation of liquidity reserve requirement. Based on the Company's historical experience, the computed shortfall of ₱17,725,416 for pension will be eliminated while the ₱565,682,208 shortfall on education will be reduced to ₱205,683,916. The Company also stated that it made substantial remittances in 2022 amounting to ₱104,310,965 and ₱188,262,600 both for pension and education plans, respectively, representing proceeds from the sale of service assets and the EDSA property, respectively. The Company also committed to immediately liquidate corporate assets to address any additional funds needed to cover maturing policies.

On November 2, 2022, the Company received a letter from the Commission dated October 24, 2022 regarding the verification of the 2021 Annual Statement. In this letter, the Commission have provided the results of its verification as follows:

1. The Company is compliant to the unimpaired capital requirement as of December 31, 2021 under Section 9 of the Pre-Need Code;
2. The Company is compliant to the Insurance Premium Fund requirement under IC CL No. 2012-23;
3. After verification of the documents submitted on October 17, 2022, the Commission mentioned that the verification resulted to a deficiency on the Company's Education Plan of ₱40,581,782 as of December 31, 2021, which deemed covered up in full by the subsequent transactions resulting to a surplus of ₱71,397,177 as of March 31, 2022. After verification of the March 31, 2022 trust funds, the Commission mentioned that the Company is compliant with the Trust Fund requirement under Section 34 and related IC CL No. 2022-37 with noted surpluses across all plans after considering the after-date transactions.
4. The Company has deficiency in Liquidity Reserve requirement under Section 37 of the Pre-need Code amounting to ₱1,543,190,912, which includes planholders' benefits payable of ₱2,280,542,611, majority of which is from unclaimed benefits amounting to ₱2,219,453,423;

5. The Company was also provided with the following observations on its asset maturity profile and quarterly projection of benefits payouts:

Category	Observations
Life Plan	The liquid assets (composed of fixed income and cash and cash equivalents) to mature until end of 2023 of ₱607,017,023 are sufficient to pay the total projected payouts for 2023 of ₱233,724,963.
Pension Plan	The liquid assets to mature until end of 2023 of ₱1,741,134,166 are not sufficient to pay the total projected payouts for 2023 of ₱1,758,859,582, or short by ₱17,725,416.
Education	The liquid assets (composed of fixed income and cash and cash equivalents) to mature until end of 2023 of ₱782,417,381 are not sufficient to pay the total projected payouts for 2023 of ₱1,348,099,588, or short by ₱565,682,207.

Based on the results of the verification, the Company was directed by the Commission to submit an action plan, as approved by the Board of Directors, to address the short fall on the liquid assets of pension and education plans and the deficiency on the liquidity reserve requirement under Section 37 of the Pre-Need Code in the amount of ₱1,543,190,912 within ten (10) days upon receipt of the letter. In addition, the Company is directed to ensure that all claims submitted to the Company are processed for payments and paid for appropriately by the Company on schedule, otherwise, the Commission shall exercise its supervisory and regulatory powers under the Pre-need Code. The Commission further stated that the approval of the Annual Statement is subject to the submission of the above requirements.

On November 7, 2022, the Commission responded to the Company's letter dated October 28, 2022 on the results of the verification of the 2021 Annual Statement per letter dated October 24, 2022. The Commission acknowledged the Company's explanation on the deficiency in liquidity reserve and assets maturity profile with quarterly projection of benefits payout for 2023. In this letter, the Commission reiterated the submission of the action plans approved by the Board of Directors, as required by the Commission in its letter dated October 24, 2022, to address the short fall on the liquid assets of pension and education plans and the deficiency on the liquidity reserve requirement under Section 37 of the Pre-Need Code in the amount of ₱1,543,190,911 within five (5) days upon receipt of the letter. Additionally, the Company is directed to ensure that all claims submitted to the Company are processed for payments and paid for appropriately by the Company on schedule, otherwise, the Commission shall exercise its supervisory and regulatory powers under the Pre-need Code.

On November 8, 2022, the Company received three (3) letters from the IC all dated November 7, 2022 for the release of the Certificate of Registration and License to Act as a Pre-need Company for the years 2020, 2021 and 2022.

On November 25, 2022, the Company submitted its letter to the Commission pertaining to the action plans approved by the Board on November 23, 2022, in addressing the observation of the Commission on the adequacy of the liquid assets and sufficiency of the liquidity reserve requirement in relation to the payout of maturity benefits. In the letter, the Company highlighted that the Board of Directors (BOD) reiterated the position of the Company in using the historical benefit payouts on future maturities and outstanding plan benefit payable in relation to the adequacy of the liquid assets and in the computation of liquidity reserve requirement. The Company presented the payment of benefit payout of ₱1,008,014,057 on the noted liquidity shortage of ₱1,543,190,912, leaving a balance of ₱535,176,855. Additionally, the Company also included in the letter the action plans approved by the Board to address remaining balance of the liquidity shortage which includes the collections on the sale of Heritage lots and EDSA property, timely disposal of corresponding government securities, equities and real estate properties under trust fund and disposal of corporate assets, as the need arises to meet the liquidity requirements of the trust fund.

On December 1, 2022, the Commission approved the 2021 Annual Statement and the related synopses of the 2018, 2019, and 2020 Annual Statements. The approval was attendant to the Company's compliance with the Commission's requirements per its letters dated October 24, 2022 and November 7, 2022. In addition, the Commission directed the Company for the publication of the same within thirty (30) days from receipt hereof and furnish the IC with the pertinent newspaper clippings.

On December 20, 2022, the Commission approved the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2023.

2023

On January 9, 2023, the Company submitted to the Commission its compliance with the publication of the Annual Statements for the years 2018, 2019, 2020 and 2021 per the Commission's letter dated December 1, 2022.

On January 10, 2023, BPI sought confirmation from the Commission on the trust fund investment exposures on the trust fund accounts of the Company with BPI if in accordance with the aggregate and per issuer limits provided under Section 34 of the Pre-need Code and IC Circular Letter Nos. 2022-25 and 2022-37.

On January 18, 2023, BPI submitted to the Commission its proposed Annual Investment Strategy for the year 2023 on various trust fund accounts of the Company.

On January 18, 2023, the Company received the letter of the Commission dated December 19, 2022, pertaining to the verification of interim financial statements as of September 30, 2022 with results as follows:
1. The Company is compliant with the minimum paid-up capital;
2. The Company is compliant with the trust fund investment limitations as required by Section 34 of the Pre-need code and IC CL No. 2022-25 and IC CL No. 2022-37, except for the investment in equity securities per single issuer under the Pension and Education plans, which exceeded the prescribed limitations;
3. The Company's trust fund for Pension and Education plans are deficient by ₱471,481,116 and ₱426,688,359, respectively;
4. The Company's insurance premium fund is deficient by ₱18,414,760;
5. The Company's liquidity reserve for Pension and Education plans are deficient by ₱16,407,383 and ₱2,052,396,995, respectively.

The Company was directed by the Commission to submit within ten (10) days its action taken to cover up the trust fund deficiencies for pension and education plans and the related deficiency for the insurance premium fund.

On January 24, 2023, the Company requested approval from the Commission on the reimbursement of expenses directly related to the delivery of benefits and services to the planholders amounting to ₱25,411,059. The request was pursuant to Section 30 of the Pre-need Code and Article II of IC Circular Letter No. 2013-26

On January 27, 2023, the Company submitted to the Commission the action plans and the responses to the findings of the Commission per letter dated December 19, 2022. In this letter, the Company requested for the approval of the extension to level-off the breaches on equities per aggregate and single issuer limits until end of 2023 and to allow the applicable values of the investment class amounting to ₱247,153,708 and ₱177,644,486 for Pension and Education plans, respectively, for a total of ₱424,798,194. The Company also mentioned that the service assets under Pension and Education plans have increased in value as a result of the appraisal increment as of December 29, 2022 amounting to ₱43,152,000 and ₱199,920,000.00, respectively. The Company contributed service assets amounting to ₱18,630,000 in addressing the deficiency in Insurance Premium Fund of ₱18,414,760. The Company submitted a copy of the Secretary's Certificate on the approved action plans.

On February 1, 2023 , the Commission responded to the letter of BPI dated January 10, 2023. The Commission stated that the trust fund investment exposures on the trust fund accounts with BPI are in accordance with the aggregate and per issuer limits provided under Section 34 of the Pre-need Code and IC Circular Letter Nos. 2022-25 and 2022-37.

On February 6, 2023, the Commission responded to the letter of BPI dated January 18, 2023. The Commission acknowledged the proposed Annual Investment Strategy submitted by BPI and stated that the same was forwarded to the Commission's Investment Services Division for reference and appropriate action, if any.

On February 15, 2023, the Company submitted a follow-up letter to the Commission requesting for approval on the reimbursement of expenses directly related to the delivery of benefits and services to the planholders pursuant to the Company's letter dated January 24, 2023.

On March 1, 2023, the Company received the letter from the Commission dated February 20, 2023. In this letter, the Commission acknowledged the action taken by the Company supported with Secretary's Certificate on Board approval to cover up the trust fund deficiencies for the pension and education plans and the related deficiency for the insurance premium fund. For further evaluation of the Company's request to level-off the breaches on equities, the Company is requested to submit the breakdown per plan category of its Asset Maturity Profile as of December 31, 2022 versus 2023 quarterly projection of benefits payout and onwards and the updated schedule of property sold on installment, showing the balance of the Receivable and related Deferred Tax Liabilities until December 31, 2022.

On March 13, 2023, the Company submitted the following documents in response to the letter of the Commission dated March 1, 2023 with regards to the additional requirements for the evaluation of the Company's request to level-off the breaches on equities until December 31, 2023.
1. Breakdown per plan category of Asset Maturity Profile as of December 31, 2022;
2. 2023 quarterly projection of benefits payout and onwards; and
3. Schedule of property sold on installment as of December 31, 2022.

Also, the Company emphasized its commitment to meet its liquidity requirement vis-à-vis the plan maturities as they fall due through timely disposal of corporate assets (including service assets), when necessary.

On May 12, 2023, the Company re-submitted the following letters dated May 10, 2023:

1. Request to level off the breaches on equities per aggregate and single issuer limits until December 31, 2023; and

2. Request for approval on the reimbursement of expenses directly related to the delivery of benefits and services to the planholders amounting to ₱25,411,059 pursuant to Section 30 of the Pre-need Code and IC Circular Letter No. 2013-26.

On June 19, 2023, the Commission responded to the Company's two (2) letters dated May 10, 2023 on the request to level off the breaches on equities and reimbursement of expenses (cost of service) of ₱25,411,059, to wit:

1. On level off the breaches on equities

   The Commission conditionally approved the Company's request to level off the breaches on equities, particularly the PSE shares per aggregate and single issuer limits subject to the following:

   a. The Company shall ensure the timely and appropriate processing and payment of claims;
   b. The Company shall not declare dividends during the approved levelling off period; and
   c. Together with the quarterly submissions required by Circular Letter ("CL") No. 2022-44, the Company shall submit to the Commission quarterly progress reports from the Trustee Banks starting on the second (2nd) quarter of 2023.

   The breaches/excess investments shall not be considered in the determination of sufficiency of trust funds in the verification/examination of the Company's 2022 Annual Statements as stated in Section 34 of the Pre-need Code and IC Circular Letter No. 2022-37.

2. On Reimbursement of Expenses of ₱25,411,059

   The Commission denied the Company's request of reimbursement of cost of services incurred in relation to the delivery of benefits and services to the planholders in the amount of ₱25,411,059 for the nine (9) month period ending on September 30, 2022. The Commission stated that upon evaluation of the enumerated provisions of IC CL No. 2013-26, the Commission find that the reimbursement of expenses for personnel salary, premises, electronic data processing, and other expenses are prohibited since these expenses are outside the ambit of cost of services/benefits undertaken based on contracts which can be withdrawn from the trust fund.

On Aug 11, 2023, the Company submitted the progress report on the PSE shares for the second (2nd) quarter of 2023 in compliance with the letter of the Commission dated June 19, 2023, to wit:

1. The trust fund adequacy with computed breaches as of June 30, 2023 in which life plan has a surplus of ₱497,626,465 while pension and education registered shortfall amounting to ₱84,165,484 and ₱340,387,210, respectively.

2. The computed quarterly breach on PSE shares is shown below:

Trust Fund	31-Dec-22	31-Mar-23	30-Jun-23
Life	₱–	₱–	₱–
Pension	(254,584,520)	(268,584,803)	(267,558,422)
Education	(188,960,746)	(201,734,044)	(199,175,622)
Total	(₱443,545,266)	(₱470,318,847)	(₱466,734,044)

3. The sale of 1,000,000 PSE shares.

On September 12, 2023, the Commission responded to BPI Wealth (BPI), a trustee bank of the Company, as regards BPI's letter requesting for confirmation that the trust accounts' exposures to each asset class and each security are within the consolidated prescribed limits under the Pre-need Code (PNC), for the period ending June 30, 2023. The Commission stated that the trust fund investment exposures on the trust accounts of the Company are in accordance with the aggregate and per issuer limits provided under Section 34 of the PNC and Circular Letter Nos 2022-25 and 2022-37.

On September 20, 2023, the Commission acknowledged receipt of the letter of the Company dated August 11, 2023 pertaining to the progress report on PSE shares in compliance with the Commission's letter dated June 19, 2023. The commission noted the 1,000,000 PSE shares sold in July 2023.

On October 31, 2023, the Company received a letter from the Commission dated October 23, 2023 on the verification of the 2022 Annual Statement of the Company with result as follows:

1. The Company is compliant with the capital requirement as of December 31, 2022 under the Pre-need Code;
2. The Company is compliant with the Insurance Premium Fund requirement under IC CL No. 2012-23;
3. The Company is compliant with the trust fund and liquidity reserve requirements for life (memorial) plans under the Pre-need Code;
4. The Company has trust fund deficiency on pension and education amounting to ₱165,550,963 and ₱198,713,840, respectively; and
5. The Company has liquidity reserve deficiency on pension and education amounting to ₱199,063,897 and ₱1,890,373,348, respectively.

Based on the results of the verification, the Company was directed by the Commission to cover-up the above-mentioned trust fund deficiency within sixty (60) days upon receipt of the letter and show proof of compliance, in accordance with Section 36 of the PNC and to submit an action plan, as approved by the Board of Directors, to address the deficiency on the liquidity reserve requirement under Section 37 of the PNC in the total amount of ₱199,063,897 for pension and ₱1,890,373,348 for education, within ten (10) days upon receipt of the letter.

On November 10, 2023, the Company submitted its response letter dated November 09, 2023 to the Commission's order to cover-up the trust fund and liquidity reserve deficiencies with highlight as follows:

Trust Fund Deficiency

1. The conditional approval to level-off the breaches on equities until December 31, 2023 comes with a relief that "the breaches/excess investments shall not be considered in the determination of sufficiency of trust funds in the verification/examination of the Company's 2022 Annual Statement as stated in Section 34 of the Pre-need Code and Circular Letter No. 2022-37;
2. The increased in appraised value of a real estate property;
3. The Company's commitment to contribute corporate assets, when needed, as part of its action plan approved by its Board of Directors pursuant to Section 36 of the Pre-need Code.

Liquidity Reserve Deficiency

1. The Company provided the after-date benefit payout on pension amounting to ₱1,002,885,059 that fully addressed the noted deficiency of ₱199,063,897.
2. On education, the Company provided the after-date benefit payout amounting to ₱725,205,418 that partially addressed the noted deficiency of ₱1,890,373,348

On November 24, 2023, the Company submitted its letter dated November 20, 2023 on 2023 third quarter progress report pertaining to the PSE equity shares. In this letter, the Company highlighted the sale of 1,000,000 PSE shares in July, 2023, computation of breach after the sale of PSE shares, and computation of trust fund adequacy applying the conditional approval on deferment of breaches.

2024

On January 02, 2024, the Company received the approval letter of the Commission dated December 18, 2023 on the 2022 Annual Statement (AS) and the related synopses of the Company. This is due to the conditional approval pertaining to the deferment of the application of breaches in equities for PSE shares due to the extension of time to level off the breaches where the Company was given until December 31, 2023 and in compliance of the Company on the requirements of the Commission to cover-up the trust fund and liquidity reserve deficiencies per Commission's letter dated October 23, 2023. The Commission also directed the Company for the publication of the approved AS within thirty (30) days from receipt of the approval and furnish the Commission with the pertinent newspaper clippings.

On January 08, 2024, the Company submitted its letter to the Commission dated January 02, 2024 requesting an extension period of two (2) years from December 31, 2023 to level-off the breaches on PSE equity per aggregate and single issuer limits citing the loss incurred on the disposal of 1,000,000 PSE equity shares, deferment of the disposal of the remaining PSE shares as a prudent measure not to incur further loss and the improving behavior of the equity market.

On January 23, 2024, the Company received a letter from the Commission dated January 17, 2024 on the issuance of the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2024.

On January 30, 2024, the Company submitted to the Commission its compliance on the publication of the 2022 Annual Statement and its related synopses. This was acknowledged by the Commission per its letter reply dated January 31, 2024.

As of December 31, 2023, the computed trust fund deficiencies for Pension and Education amounted to ₱102,296,500 and ₱241,923,616, respectively, of which ₱102,296,500 and ₱102,847,886, respectively, are attributable to excess of certain investments over the prescribed limits under Section 34 of the Pre-Need Code of the Philippines, IC Circular Letter No. 2022-25 and IC Circular Letter No. 2022-37. On April 29, 2024, the Company made an additional trust fund contribution to pension account in the amount of ₱102,330,000. This is in full compliance with the trust fund deficiency on pension account amounting to ₱102,296,502. As regards the trust fund deficiency on education account amounting to ₱241,923,616, the Company made a partial trust fund contribution to education account on May 21, 2024 amounting to ₱50,000,000. The remaining balance of ₱191,923,615 will be addressed as follows:

1. Letter of instruction to the trustee bank for the disposal of the PSE shares;
2. Cash contribution; and
3. Contribution of Heritage Lots.

As of the date of the release of the financial statements, management has yet to receive a formal response from the Commission on the request to extend the leveling-off of the breaches on equities per aggregate and single issuer limits until December 31, 2025. On April 16, 2024, the management received an exposure draft on Omnibus Guidelines on Investment, which when implemented will cure the breaches on equities per aggregate and single issuer limit.

For liquidity reserve requirement (LRR) in compliance with Section 37 of the Pre-need Code and IC CL No. 2022-44, the initial computation showed that the Company has deficiency amounting to ₱1,739,565,883 for Education Plan as of December 31, 2023. Following IC letter dated December 18, 2023 in which IC noted the Company's action plan to use historical availment rates instead of the total outstanding benefits payable for Education Plan, which is the major factor of the LRR deficiency, the management estimates excess in liquidity reserve as of December 31, 2023 of ₱2,083,212,353, ₱2,254,258,008 and ₱15,958,996 for Life, Pension and Education Plan, respectively. The management finds it appropriate to use payment behavior as a prudent measure in handling the liquidity requirement on benefit payout based on its actual experience considering it has not been remiss in the delivery of benefits due to the plan holders year-on-year.

Should additional liquidity be required, the following will be observed as committed previously subject to the approval of the Board of Directors:

1. Timely disposal of equities, real estate properties and service assets;
2. Ensure collection of receivables on the sale of EDSA property and service assets:
   a. As of December 31, 2023, the Company has receivables on the sale of EDSA property amounting to ₱1,506,101,138 that is collectible over four (4) years;
   b. On service assets, the average monthly collection of the Company is ₱87,927,754 for the year 2023 in which the Company is expected to collect the same amount in 2024.
3. Continuous asset swap whereby free-hold cash of the Company will be swapped with service assets under trust fund. With this action plan, we swapped ₱167,400,000 in 2023.

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3. Pre-Need Regulations

<u>Republic Act No. 9829</u>
On December 3, 2009, Republic Act (RA) No. 9829, *An Act Establishing the Pre-Need Code of the Philippines*, was approved. This act shall be known as the 'Pre-Need Code of the Philippines.' It is a consolidation of Senate Bill No. 2077 and House Bill No. 6407 passed by the Senate and the House of Representatives on September 30, 2009 and September 29, 2009, respectively.

The following are the more significant provisions of RA No. 9829:

- *Authority of the Insurance Commission.* All pre-need companies shall be under the primary and exclusive supervision and regulation of the Commission.

- *Paid-up capital.* A pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. Existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:
  a. ₱100 million for companies selling at least three (3) types of plan;
  b. ₱75 million for companies selling two (2) types of plan; and
  c. ₱50 million for companies selling a single type of plan.

- *Trust fund.* The trust fund shall at all times be sufficient to cover the required pre-need reserve (PNR). The RA specifies the minimum amount of corresponding contributions to the trust fund.

- *Limitations on different investments of the trust fund(s).* To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust fund of a pre-need company shall be limited and subject to limitations specified by the RA.

Under Chapter 11, Section 47 of the Pre-Need Code, the IC shall have the authority to make, amend and rescind such accounting rules and regulations applicable for pre-need companies. In the absence of new accounting rules, or rescission of the current accounting rules authorized by the IC, the Company continues to follow the amended PNUCA and applicable IC Circular Letter and accounting requirements.

<u>Implementing Rules and Regulations (IRR) of RA No. 9829</u>
After the issuance of RA No. 9829, the Commission issued the IRR on March 8, 2010. The salient provisions of the IRR are the same with that of RA No. 9829.

<u>SEC Memorandum Circular (SMC) No. 6, Series of 2002</u>
The SEC issued SMC No. 6, *Standards for Valuation of Actuarial Reserve Liabilities for Pre-Need Plans* (SEC Circular No. 6), effective June 27, 2002 (amended April 10, 2003). The following are the more significant provisions of this Circular:

a. Actuarial reserve liabilities (ARL) must be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. Where insurance coverage is provided in the plan contract, insurance premium reserves must be set up as a separate liability account;

c. The ARL must be determined by using a prospective method in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines;

d. Actuarial reserve valuation methods must be consistent with any allowed accounting adjustments for deferred expenses. The net level contribution method of prospective valuation for both pre-need benefits reserve (PNR) and insurance premium reserve (IPR) shall be used when there is deferment of expenses. Only first year commissions, overrides and bonuses may be deferred;

   Administrative and other marketing expenses shall not qualify for deferral. The period of deferment shall not exceed the installment payment period and shall be in accordance with the New Pre-Need Rules which took effect on September 21, 2001;

e. The ARL for a contract that has defaulted in payment of installments of the price, but which may still be reinstated, shall not be less than its reserve minus the uncollected contributions to reserve up to the date of valuation, multiplied by a validated reinstatement factor as determined by the actuary, provided the uncollected contributions to reserve is not reflected as an asset;

f. The interest rate assumption in reserve valuation should be reflective of expenses and taxes incurred on investments, but the rate shall in no case exceed 80% of the average interest rate for the longest term Philippine government security traded during the previous three (3) months.

   If the experience net yield rate of the trust fund is higher than the set maximum, the actuary must show conclusive proof of the contracts whose reserves are being valued, before assuming such experience net yield;

g. Rates of surrender, cancellation, utilization and inflation, when applied, must consider the actual experience of the company in the last three (3) years, or the industry, in the absence of a reliable company experience;

h. In determining the ARL of fully paid plans, no decrement rates other than utilization rates for the contingent principal benefits may be used. The actuary shall submit to the SEC for approval the necessary justification for any exception made to this rule; and

i. The actuary shall validate every year the actuarial assumptions used in the reserve valuation and shall include in the actuarial certification a statement of the validation procedure.

Pre-Need Rule 31, as Amended: Accounting Standards for Pre-Need Plans and PNUCA
On May 10, 2007, the SEC issued Pre-Need Rule 31, as Amended, which adopted the revised accounting standards and chart of accounts that shall be considered the generally accepted accounting principles in the Philippines for pre-need companies. This Amended Pre-Need Rule 31 became effective for interim financial statements covering periods ended June 30, 2007 and onwards and for annual financial statements for the year ended December 31, 2007 and thereafter.

The following are the more significant provisions under the Amended Pre-Need Rule 31:

Trust funds

a. The net asset value in the trust funds shall be at least equal to the required PNR as determined by a qualified actuary using the method prescribed in this Rule.

b. All requirements under the rules and regulations as may be promulgated by the SEC on trust funds shall be complied with.

c. The recognition and measurement of the assets in the trust funds shall be in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* and PAS 40, *Investment Property*, and other applicable standards, depending on the composition of the fund.

d. The component assets and liabilities of the trust funds shall be presented separately in the notes to financial statements.

Pre-need reserve

a. PNR shall be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. In recognizing PNR for education and pension plans, the general requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on provisioning and the specific methodology provided under this item shall be complied with by the company. For life plans, the requirements of Philippine Financial Reporting Standard (PFRS) 4, *Insurance Contracts*, shall be complied with by the Company;

c. The amount recognized as a provision to cover the PNR shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision;

d. The actuarial reserves for benefits shall be determined on prospective basis. The actuarial reserves for benefits directly provided by the pre-need company must be equal to the present value of all future benefits directly provided by the company less the present value of the future contributions to reserves for such benefits. The actuarial reserves for benefits provided indirectly by the pre-need company should be equal to the present value of the cost of providing these benefits less the present value of the contributions to reserves to provide for these benefits. Actuarial reserves on pre-need contracts should ever be less than the corresponding termination values;

e. Future events that may affect the foregoing amounts shall be reflected in the amount of provision for PNR where there is sufficient objective evidence that they will occur;

f. The rates of surrender, cancellation, reinstatement, utilization and inflation when applied, must consider the actual experience of the company in the last three (3) years, or the industry, in the absence of a reliable company experience;

g. The computation of the foregoing assumptions shall be validated by the internal qualified actuary of the pre-need company. His or her validation report shall be provided to its external auditors for purposes of statutory audit of the financial statements of the company, and shall be submitted to the IC as a separate report;

h. The probability of pre-termination or surrender of fully paid plans shall be considered in determining the PNR of fully paid plans. A pre-need termination experience on fully paid plans of 5% and below shall be considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date;

i. The disclosure requirement under PAS 1, *Presentation of Financial Statements*, relative to methods and assumptions used to estimate the PNR, including the sensitivity of the PNR amount, shall be complied with; and

j. Any excess in the amount of the trust funds as a result of the revised reserving method shall neither be released from the fund nor be credited to offset against future required contributions.

Insurance premium fund

This represents corporate assets that are restricted to cover the payment of insurance premiums after the paying period of the pre-need plan. This shall be at least equal to the amount computed for the IPR under paragraph 13 of the Amended Pre-Need Rule.

Other reserves
The company shall setup other provisions in accordance with PAS 37 to cover obligations such as IPR.

Unless the IC shall so specifically require, a company may, at its option, set up other provisions as a prudent measure.

Premium revenue
Premiums from sale of pre-need plans shall be recognized as earned when collected. When premiums are recognized as income, the related cost of contracts shall be computed with the result that benefits and expenses are matched with such revenue.

Trust fund income
Income generated by the trust fund shall be included in the 'Investments in trust funds' account under the asset section of the statement of financial position.

The amount of the trust fund income shall be disclosed in the notes to the financial statements. The portion of the retained earnings representing the trust fund income shall be automatically restricted to payments of benefits of plan holders and such other related payments as allowed under the Pre-Need Rules.

Cost of contracts issued
This account pertains to:

a. The increase in PNR as at the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result from new information or new developments, the amount shall be deducted from the 'Cost of contracts issued' of the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by the pre-need company;

b. Amount of trust funds contributed during the year; and

c. Documentary stamp tax and IC registration fees.

The foregoing items shall be presented separately on the face of the statement of income.

Other direct costs and expenses
This account includes the following, which shall be presented separately in the notes to the financial statements:

a. Basic commissions;
b. Other commission such as overrides, bonuses;
c. Insurance; and
d. Other expenses that constitute direct cost of contracts issued.

Individual subsidiary accounts for education plans and for pension plans must be maintained (e.g., (1) 'Cost of contracts issued - education plans,' (2) 'Cost of contracts issued - pension plans').

SEC Interpretative Bulletin No. 1, Series of 2008
On January 17, 2008, the SEC issued a bulletin to guide pre-need corporations, pre-need actuaries and pre-need external auditors on the implementation of Amended Pre-need Rule 31 and PNUCA.

The more significant provisions of this bulletin are as follows:

Pre-need reserve
The PNR or the reserve for education plan, life plan and pension plan, covers the liabilities for education plan, life plan and pension plan. The PNR represents the present value of future pre-need benefits less the present value of future trust fund contributions. The PNR of the three (3) plan types should be maintained separately as they differ in treatment and assumptions. The amount indicated as PNR shall be the same as that stated in the actuarial valuation report and audited financial statements with the required disclosures.

Discount rate
The company should compute the PNR using the SEC-approved hurdle rate per product model for Currently-Being-Paid Plans and Fully Paid Plans whose benefit payments are not due within the next five (5) years.

The company may also compute the present value of its liabilities using a lower discount rate other than the SEC-approved hurdle rate and the difference between the two computations shall be booked under the 'Other reserves' account in the audited financial statements, in accordance with the Amended Pre-need Rule 31.

Other reserves
Under the account 'Other reserves,' the company may, at its option and as a prudent measure, set up other provisions. Thus, the 'Other reserves' account may include the following items:
- General administrative expense after the paying period;
- Paid-up capital reserves;
- Reserve for the difference in the PNR computation using a rate other than the IC-approved hurdle rate; and
- Other reserves as may be allowed by the Commission.

IC Circular Letter No. 23-2012
On November 23, 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves (TPNR). The circular states that in order to provide regulatory leeway for old basket of plans previously approved by the SEC, the valuation of PNR shall be governed by the following:

a. Discount interest rate for the PNR
   The transitory discount interest rate per year that shall be used in the valuation of PNR shall not exceed the lower of the attainable rates as certified by the Trustee and the following rates below:

Year	Discount Interest Rate
2013 - 2016	8.00%
2017	7.25%
2018	6.50%

Year	Discount Interest Rate
2019 and 2020	6.00%
2021	5.75%
2022	5.75%
2023	5.75%

In valuing PNR, the Company used a discount rate of 5.75% for all approved plans in 2023 and 2022.

b. Transitory Pre-Need Reserve
In effecting the transition in the valuation of reserves for old basket of plans, IC shall prescribe a TPNR with a maximum transition period of ten (10) years. For each of the pre-need plan categories, the TPNR shall be computed annually on all old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability set-up shall be the PNR. However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by the pre-need company from the trustee for the contractual benefits outstanding as of the end of the year.

The TPNR liability shall be recognized each year. The trust fund deficiency shall be funded by the pre-need company within sixty (60) days from April 30 following the valuation date.

IC Circular Letter No. 2017-28
On May 2, 2017, the IC issued Circular Letter 2017-28 relating to the first two percent (2%) upward adjustment on the investment threshold allocation under the pre-need code. Pursuant to Section 34 of the pre-need code provides that the Commission is authorized to adjust the percentage allocation per category set forth therein not in excess of two percentage (2%) points upward or downward and no oftener than once every five (5) years.

In order to maximize the gains on higher yield investment for the trust fund, the upward adjustment of two percent (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate subject to rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC Circular Letter No. 2019-06
On March 15, 2019, the IC issued Circular Letter 2019-06 providing Regulatory Relief for the Pre-need Industry to monitor and assess the overall impact of the regulatory relief provided for under IC Circular Letter No. 2018-58 to pre-need companies for the year 2018 and to further improve the regulations for pre-need companies.

The circular provides that all pre-need companies authorized to transact business in the Philippines shall submit the following quantitative impact assessment reports following the prescribed format:

a. with and without regulatory relief statement of financial position as of December 31, 2018 of the pre-need company;
b. with and without regulatory relief comparative statement of financial position as of December 31, 2018; and

c. with and without regulatory relief comparative reserve valuation report as of December 31, 2018.

All reports shall be duly certified and signed by the accountant and IC-accredited actuary together with the Chief Financial Officer (CFO) or its equivalent. The above reports form an integral part of the Annual Statement. The Company submitted to the IC the above-mentioned reports on May 30, 2019.

IC Circular Letter No. 2022-25
On May 19, 2022, the IC issued Circular Letter 2022-25 relating to the additional two percent (2%) upward adjustment on the investment threshold allocation under the pre-need code. In order to provide flexibility and to maximize the gains on higher yield investments of the trust fund, the additional upward adjustments of two percentage (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate subject to the rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC Circular Letter No. 2022-37
On July 18, 2022, the IC issued Circular Letter 2022-37 relating to the amended guidelines on allowable investments for pre-need trust fund. The circular letter mentioned the allowable investments includes the following:

i. Investment listed in Section 34 of the Code; and
ii. Other allowable investments under section 2 of the circular letter

The circular provides the following additional investments allowed as Other Allowable Investments and shall be equal to the residual allocation as computed in Section 4 of the circular:

i. Other equity Securities – equity securities not included in Section 34 of the Code, provided, however that the issuer is listed in the Philippine Stock Exchange and shall have a minimum credit rating of Baa by Philratings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the Securities and Exchange Commission (SEC) or its international counterpart.
ii. Real Estate Investments Trust and Exchange Traded Funds – Philippine Stock Exchange (PSE) listed Real Estate Investment Trust (REIT) and Exchange Traded Funds (ETF) approved by their respective regulatory agencies.
iii. Mutual Funds and Unit Investment Trust Funds – Mutual Funds duly registered with SEC and local Unit Investment Trust Fund (UITF) approved by the Bangko Sentral ng Pilipinas (BSP), provided, however, that the underlying securities are all PHP-denominated
iv. Other debt securities – Debt Securities not included under Section 34 of the Code, provided, however, that the issuer or the issue obtained a minimum credit rating of Baa by Philratings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the Securities and Exchange Commission (SEC) or its international counterpart.

Investment listed in Section 34 of the Code and Section 2.1 of the circular that do not meet the minimum prescribed conditions shall be allowed as investments in the Trust Fund, provided, that the total amount should not exceed five percent (5%) of the trust fund at acquisition cost after the consideration of limitations in Section 34 of the Code and Section 4 of this CL. Additionally, amounts in excess of the limitations set under Section 34 of the Code and Section 4 of this CL shall not qualify as Other Allowed Assets in trust fund.

Other allowable investment under Section 2.1 do not require prior approval from the IC. Assets listed or classified under Section 2 of this CL may be changed or amended by the IC in response to changes in the domestic and global market conditions

The circular also provides the treatment of existing service assets of pre-need companies. Service assets, as reference to previous CL No. 08-2012, if any, recorded and recognized by the IC in the Trust Funds of pre-need companies, shall still be recognized as part of the Trust Funds for purposes of determining the Trust Fund sufficiency. Companies shall liquidate the balances of Service Assets for a period of three (3) years from the effectivity of the CL. Proceeds from the sale or liquidation of Service Assets shall be deposited directly to their respective Trust Funds. A pre-need company is allowed to declare dividends, provided that the following conditions are met:

a. That the pre-need company shall comply with the requirements of dividends payments of the IC; and
b. That the pre-need company has liquidated the Service Assets within three (3) years. Otherwise, the maximum allowed to be declared and paid shall only be equal to the amount of Service Asset liquidated.

The circular also provides the limitations/concentration and other conditions for recognition of investments. Investments listed under Section 34 (a) to (c) shall comply with the limits conditions, and requirements set forth under Section 34 of the Code.

The basis of the computation for the limits of the instruments or investments shall be the acquisition cost of investments under Section 34 (a) to (c) and Other Allowable Investments under Section 2 of this CL. The value of the Service Assets referred to under Section 3 of this CL shall not be included in the computation of the limitations.

Other allowable investments shall be subject to the following limits:

i. The percentage of limit for Other Allowable Investments shall be the residual of the sum of the following less 100%:
   a. Sum of the actual allocation for government securities; and
   b. Sum of the actual allocations on investments under Section 34 (a) to (c) of the Code, subject to the maximum limits of the Code and any other pertinent circular letter issued.
ii. No deposits or investments in any single entity allocated to Other Allowable Investments shall exceed fifteen percent (15%) of the total value of the trust fund.

Limits on investments under Section 34 (a) to (c) of Code will be adjusted, subject to the provision provided under the last paragraph of Section 34 of the Code.

4. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. Summary of Significant Accounting Policies

Foreign Currency Transactions and Translation
The functional and presentation currency of the Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to items where gains or losses are recognized directly in other comprehensive income.

Product Classification
For purposes of complying with the provisions of PFRS 4, the Company classifies its life plans as insurance contracts. Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholder.

As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk is reduced significantly during this period, unless all rights and obligations are extinguished or expired.

As provided under PFRS 4, this product classification exercise is solely for accounting purposes and does not make the Company an insurance company for statutory or regulatory purposes. The Company as a pre-need company is under the regulation of the IC.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at FVTPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured at FVTPL.

The surrender options within the life plans issued by the Company are treated as derivative financial instruments which are closely related to the host contract and therefore not bifurcated. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

As provided under SEC Interpretative Bulletin No. 1, Series of 2008, the reserves for life plans shall be included in the PNR account in the statement of financial position.

Fair value measurement
The fair value for financial instruments traded in active market at the reporting date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The Company measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Company uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

For nonfinancial assets, the Company measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 26, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents (including those in the investments in trust funds and insurance premium fund) are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments (including those in the investments in trust funds and insurance premium fund)
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of 'Day 1' difference.

Classification and Measurement of Financial Assets
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

Contractual cash flows characteristics
As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and

- the expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress-case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly-originated or newly-purchased financial assets going forward.

The Company's measurement categories are described below:

Investment Securities at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

As of December 31, 2023 and 2022, the Company's investment securities at amortized cost are presented in the statement of financial position, including those included in the 'Investments in trust funds' and 'Insurance premium fund', as 'Cash and cash equivalents', Short-term investments, 'Investment securities at amortized cost' and 'Loans and receivables (except advances to suppliers)'.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Company has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL.

Equity investments are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL and gains or losses arising from disposals of these instruments are included under 'Trust fund income' account in the statements of income.

Dividend income is reported in statements of income under 'Trust fund income' account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gains (losses) on financial assets at FVOCI' in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on financial assets at FVOCI account is not reclassified to profit or loss, but is reclassified directly to 'Retained earnings' account or other appropriate equity account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Trust fund income' account.

As of December 31, 2023 and 2022, the Company has no equity securities designated as at FVOCI.

Financial Assets at FVOCI - Debt Investments
The Company applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized under 'Trust fund income' account in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
  - satisfy the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Reclassifications of financial instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
  - the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
  - the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred

nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of income.

Impairment of Financial Assets
The Company records the allowance for expected credit losses (ECL) for all loans and receivables and other debt financial assets not held at FVTPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) past due up to 30 days; (ii) no significant increase in the probability of default. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. A SICR is generally deemed present in accounts with: (i) more than 30 days up to 90 days past due, or (ii) with significant increase in PD. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or portfolio of loans. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of 'default'
The Company classifies a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Significant increase in credit risk
To determine whether there has been a significant increase in credit risk in the financial assets, the Company compares credit risk at initial reporting date against credit risk as at the reporting date. The Company uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL.

The Company assumes that instruments with an external rating of 'investment grade' from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For financial assets with a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Company also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has no other reasonable expectation of recovering the contractual cash flow.

Prepayments
Prepaid expenses pertain to resources controlled by the Company as a result of past events and from which future economic benefits are expected to flow to the Company. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Prepaid Consultancy Fee
Prepaid consultancy fee is initially recognized by the Company at contract price, including additional taxes related to the agreement. Subsequently, the amount is amortized over the term of the agreement.

Creditable Withholding Taxes (CWT)
Creditable withholding taxes pertain to the taxes paid by the Company withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under 'Other assets' account. At each end of the tax reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under 'Loans and receivables' account. At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Input value-added tax (VAT)
This pertains to the 12% indirect tax paid by the Company in the course of its trade or business on local purchase of goods and services.

Investment Property (including those held in trust funds and insurance premium fund)
Property held for long-term rental yields or for capital appreciation or for both, is classified as investment property. These properties are initially measured at cost, which includes transaction costs, but excludes day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Investment properties are stated at fair value, which reflects the prevailing market conditions at the statement of income date. Gains or losses resulting from changes in the fair values of investment properties from those held in trust funds and insurance premium fund are recognized in the statement of income under 'Trust fund income' and 'Interest and other income', respectively, in the period in which they arise.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in statement of income in the year of derecognition.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and accumulated impairment in value, if any.

The initial cost of an item of property and equipment comprises its purchase price and/or development cost, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to statement of income during the period in which these are incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful life (EUL) of the individual significant components of property and equipment, or the term of the lease, whichever is shorter, for leasehold improvements, as follows:

	Years
Office condominium	20
Transportation equipment	3-5
Furniture, fixtures and equipment	3-5
Leasehold improvements	3-5
System software	3

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the residual values, period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the book value of the asset) is included in statement of income in the year the asset is derecognized.

The Company classifies right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment. Refer to the accounting policies section in impairment of nonfinancial assets._In 2020, the Company terminated all existing lease contract as lessee and closed all the branches nationwide last June 5, 2020.

Service assets - memorial lots (including those held in trust funds)
Service assets - memorial lots are memorial lots to be sold and bundled with life and pension products with the intention of reducing its liabilities in the future when the benefits are claimed.

Based on the IC letter dated November 6, 2015, service assets - memorial lots bundled with life and pension products constitute neither equity nor debt securities. The cost of memorial lots is initially valued at acquisition cost at the time of purchase. Subsequently, the same is valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by Bangko Sentral ng Pilipinas (BSP) and/or SEC. Any cost incurred in the execution of the funeral service packaged with a memorial lot shall be determined and recognized in the books of the trust fund. However, for its service assets - memorial lots sold on an installment basis, these lots should be measured subsequently at the contract price agreed upon execution of the deed of sale.

The fair value changes are reflected under 'Increase (decrease) in fair value of service assets - memorial lots' account and 'Trust fund income' account in the statements of income for service assets outside trust fund and for service assets held under trust funds, respectively.

Inventories - memorial lots
Inventories are initially measured at acquisition cost at the time of transfer and are available for individual/retail sale. They are subsequently valued at lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution. Cost is determined using the weighted average cost formula method.

Investment in a Subsidiary
Investment in a subsidiary is accounted for using the cost method in the Company's financial statements. A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The investment in subsidiary is carried in the statement of financial position at cost less any impairment in value. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Company's investment in subsidiary, and property and equipment.

At each end of the reporting period, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit (CGU)'s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Contract Liabilities

Contract liabilities are obligations to transfer goods or services to a customer from which the Company has received consideration. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

Leases

The Company determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor

Finance leases, where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Interest and other income' in the statement of income.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

Refer to the accounting policy for property and equipment for the recognition and subsequent measurement of right-of-use assets.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are presented under 'Accrued expenses and other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as rent expense under 'General and administrative expense' on a straight-line basis over the lease term.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pre-Need Reserves for Education and Pension Plans
PNR for education and pension plans are calculated on the basis of the methodology and assumptions set out in the Amended Pre-need Rule 31, as follows:

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

  On Currently-Being-Paid Plans

  i. Provision for termination values applying the inactivity and surrender rate experience of the Company; and
  ii. For the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company, the liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the approved hurdle rate per Product Model of the Company.

  On Lapsed Plans within the Allowable Reinstatement Period

  i. Provision for termination values applying the reinstatement experience of the Company.

  On Fully Paid Plans

  i. For those due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the attainable rate, as determined and certified by the Company's trustee using industry best practices and principles which shall be indicated in such certification; and
  ii. For those not yet due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of the Company.

- The lapse and surrender rate assumptions are based on the Company's experience validated through the periodic studies from 2010 to 2012. The reinstatement rate assumptions are based on the Company's experience validated through the periodic studies from 2004 to 2007.

  The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.

- Based on Company's experience, the probability of pre-termination or surrender of fully paid plans ranged from 7.00% to 13.00% in 2016 until 2020 and therefore considered significant for some products. The derecognition of liability shall be recorded at pre-termination date.

In 2023 and 2022, the Company used 5.75% as discount rate for all approved plans.

The above rates followed the IC Circular Letter 23-2012 which sets the guidelines for the discount rate to be used in the valuation of PNR as disclosed in Note 3.

PNR for Life Plans
PNR for life plans are computed using the net level premium reserving method based on a prospective approach, and is in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines.

The actuarial assumptions used in the valuation of reserves (e.g., interest rate, inflation rate, withdrawal rate, availment rate and other pertinent assumptions) are based on the provisions of SEC Circular No. 6 and subsequent SEC memos on its implementation. In valuing PNR, the Company used a discount rate of 5.75% for all approved plans in 2023 and 2022.

The Company uses lapsation and surrender rates which are based on its actual experience validated through the periodic studies from 2010 to 2012. For fully paid plans, the Company uses surrender decrement rates based on experience, as allowed by the IC.

Insurance Premium Reserves
For insurance benefits purchased by the Company, IPR (which represents the cost of purchasing such benefits after the installment payment period) are also set up as additional liabilities of the Company. The total additional liabilities relating to IPR after the installment payment period is included in the 'Other reserves' account in the statement of financial position.

Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Retained earnings represents the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, and other capital adjustment, net of any dividend declaration.

Unrestricted retained earnings represent that portion which is free and can be declared as dividends to stockholders.

Restricted retained earnings represent that portion which has been restricted and, therefore, is not available for any dividend declaration. This includes accumulated trust fund income restricted to payments of benefits to plan holders and such related payments as allowed under the Pre-need Rules. Reversal of appropriation pertains to benefit payments to plan holders during the year.

The other comprehensive income recorded under equity in the statement of financial position includes:

- Unrealized gains (losses) on financial assets at FVOCI – comprise of cumulative changes in fair value of financial assets at FVOCI
- Remeasurement gains (losses) on defined benefit plan - pertain to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets

Revenue Recognition

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model follows:

a. Identify the contract(s) with customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation
e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized within the scope of PFRS 15:

Sale of memorial lots

Revenue is recognized at a point when control of the memorial lots has been transferred to the buyer, which is generally upon transfer of legal title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of a certificate of title.

Advance payment from customers upon which control over the memorial lots has not been transferred by the Company is initially recognized as contract liabilities under 'Accrued expenses and other liabilities' in the statement of financial position. These are subsequently derecognized when control is transferred to the customer.

Service fee, loading income, surcharge and amendment fees

Planholders are charged for plan administration services, surrenders and other contract fees. These fees and charges are recognized as revenue in the period in which the related services are performed.

Miscellaneous income

Miscellaneous income is recognized in the statement of income when earned.

The following are revenue streams of the Company, which are covered by accounting standards other than PFRS 15:

Premiums revenue
Premiums from sale of pre-need plans are recognized as earned when collected.

Trust fund income
Income generated by the trust funds is included in the 'Investments in trust funds' account under the assets section of the statement of financial position and credited to trust fund income. This income is restricted to payments as enumerated in Note 10. This includes the following accounts:

- *Dividend income*
  The Company recognizes dividend income when the Company's right to receive payment is established.

- *Trading and investment securities gains - net*
  The Company recognizes net trading and investment securities gains arising from the results of trading activities, all gains and losses from changes in fair value of financial assets at FVTPL, and gains and losses from disposal of debt securities at FVOCI.
- *Rental income*
  The Company accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases.

- *Fair value gain on investment properties and service assets - memorial lots*
  This pertains to changes in fair value of investment properties and service assets - memorial lots held in trust funds.

Income from service assets - memorial lots
This includes income from sale and changes in fair value of service assets - memorial lots not held in trust funds.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

<u>Costs of Contracts Issued</u>
Changes in PNR (including trust fund contributions) and other reserves are recognized as expense during the year. Documentary stamp taxes and SEC registration fees are expensed as incurred.

Plan Benefits Expense
Plan benefits expense pertains to benefits availed of by the planholders/beneficiaries that include memorial services on life plans, maturities and termination benefits, except benefits paid from insurance coverage. Plan benefits expense is recognized upon maturity of the related plan.

Commissions
Commissions are due and payable whenever there are collections on pre-need plans that are credited to premium income. These are paid only to licensed active agents of the Company.

Rates of commission vary depending on the product sold and mode of payment, in accordance with the product design as approved by IC.

Cost of sale of memorial lots
Cost of sale of memorial lots is recognized in the statement of income in the year these are incurred.

General and Administrative Expenses
General and administrative expenses constitute costs of administering the business and are recognized as expenses when incurred.

Income Tax
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:
- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities are charged or credited to income for the year.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Events after the Reporting Date

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the end of the reporting period. Events that are indicative of condition that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

6. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in accordance with Philippine GAAP for pre-need companies requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates are reflected in the financial statements as they become reasonably determinable.

Although judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the actual outcome may differ from these estimates, possibly significantly in future periods when changes occur.

Judgments

(a) Going concern assessment

The management of the Company has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

(b) *Product classification*
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company has determined that the life plans it issues have significant insurance risk and therefore meets the definition of an insurance contract.

(c) *Evaluation of business model in managing financial instruments*
The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Company's Board of Directors (BOD) approved its documentation of business models which contains broad categories of business models. The Company's classification of financial assets now consists of amortized cost, FVOCI and FVTPL.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(d) *Revenue recognition*
The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. With respect to the sale of service assets - memorial lots, the Company determined that that there is one performance obligation in each of these contracts.

The Company has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Company has concluded that contracts relating to the sale of service assets - memorial lots are recognized at a point in time when control transfers. Control is generally expected to transfer to the customer together with the certificate of title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of certificate of title.

Estimates

(a) Pre-need Reserves (PNR) and Other Benefit Reserves (OBR)

PNR is set up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts. The Company is guided by the Amended Pre-Need Rule 31 and IC Circular Letter 23-2012 in the calculation of the PNR for education and pension plans, and by SEC Circular No. 6 and subsequent SEC memoranda in the calculation of the PNR for life plans.

As of December 31, 2023 and 2022, based on the actuarial valuation report, the principal assumptions used in determining the PNR of the Company are shown below. Starting 2013, the Company used the prospective method in determining the PNR in accordance with IC Circular Letter 23-2012.

As of December 31, 2023 and 2022, the Company has used 5.75% as discount rate in valuing the PNR for plans.

PNR for life plans was set up for the memorial services and cash benefits guaranteed and payable by the pre-need company as defined in the life plan contracts. The Company is guided by existing SEC and IC regulatory rules/circulars and generally accepted actuarial principles in the calculation of the PNR. It uses assumptions based on Company experience. These actuarial assumptions include interest rate, surrender and lapse rate, reinstatement rate, expected number of deaths and other assumptions necessary to estimate the PNR. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. These estimates are based on claims data based on Company experience.

As of December 31, 2023 and 2022, the carrying value of PNR for education, pension and life plan contracts amounted to ₱3,133,253,862, ₱6,013,089,081 and ₱3,558,644,148 and ₱ 3,791,971,059, ₱6,646,203,081 and ₱3,292,160,474, respectively (see Note 16).

2023

- **Education Plans**

	PNR using Attainable Interest Rate	
Type of Pre-Need Product	**Rate (%)**	**Amount**
Education plan (Repriced Gold)	**5.75%**	**₱1,457,280,353**
Education plan (Summa)	**5.75%**	**644,053,638**
Education plan (Prodigy)	**5.75%**	**363,686,746**
Education plan (Premiere & Pangako)	**5.75%**	**355,354,362**
Education plan (New Gold)	**5.75%**	**238,564,455**
Education plan (Gold)	**5.75%**	**46,075,664**
Education plan (STI)	**5.75%**	**20,061,247**
Education plan (Magna)	**5.75%**	**8,177,396**
		₱3,133,253,862

- **Pension Plans**

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Pension plan (Nova Products)	5.75%	₱2,455,862,598
Pension plan (Future Fund Variants)	5.75%	593,128,485
Pension plan (Repriced Future Fund Variants)	5.75%	583,074,664
Pension plan (Participating Plans)	5.75%	528,062,909
Pension plan (Kaban Products)	5.75%	565,342,210
Pension plan (Builder Products)	5.75%	316,490,585
Pension plan (Mega Products)	5.75%	303,493,057
Pension plan (Futura)	5.75%	217,468,014
Pension plan (Comprehensive-EPP)	5.75%	119,027,077
Pension plan (Comprehensive)	5.75%	47,886,189
Pension plan (Alkansya Products)	5.75%	98,533,382
Pension plan (Pitaka Products)	5.75%	85,506,056
Pension plan (Pangarap/Plus)	5.75%	73,966,742
Pension plan (Booster Products)	5.75%	9,468,338
Pension plan (I/Plan Products)	5.75%	11,894,804
Pension plan (Surehealth Products)	5.75%	1,529,593
Pension plan (Standard-EPP)	5.75%	1,372,051
Pension plan (Standard)	5.75%	982,327
		₱6,013,089,081

- **Life Plan**

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Life plan (Ultima)	5.75%	₱1,288,291,635
Life plan (Classic Memorial)	5.75%	981,616,275
Life plan (Payapa)	5.75%	288,874,721
Life plan (Virtue)	5.75%	207,068,064
Life plan (Heritage)	5.75%	249,819,476
Life plan (Panatag)	5.75%	131,537,013
Life plan (Interment)	5.75%	149,966,986
Life plan (Pamana)	5.75%	92,802,277
Life plan (Serenity)	5.75%	32,723,754
Life plan (Inheritage (50/100)	5.75%	29,252,865
Life plan (Dignity)	5.75%	24,861,276
Life plan (MAP)	5.75%	29,396,076
Life plan (Nacional)	5.75%	19,708,879
Life plan (Parangal)	5.75%	2,577,949
Life Plan (Heritage Memorial)	4.50%	30,012,768
Life Plan (Nacional Memorial)	4.50%	134,134
		₱3,558,644,148

2022

- Education Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Education plan (Repriced Gold)	5.75%	₱2,045,783,124
Education plan (Summa)	5.75%	635,329,680
Education plan (Prodigy)	5.75%	394,435,871
Education plan (Premiere & Pangako)	5.75%	336,683,406
Education plan (Gold)	5.75%	236,743,967
Education plan (New Gold)	5.75%	112,149,210
Education plan (STI)	5.75%	19,302,711
Education plan (Magna)	5.75%	11,543,090
		₱3,791,971,059

- Pension Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Pension plan (Nova Products)	5.75%	₱2,415,224,096
Pension plan (Future Fund Variants)	5.75%	1,125,442,267
Pension plan (Repriced Future Fund Variants)	5.75%	589,514,265
Pension plan (Builder Products)	5.75%	444,283,287
Pension plan (Participating Plans)	5.75%	555,642,068
Pension plan (Comprehensive)	5.75%	104,883,126
Pension plan (Kaban Products)	5.75%	476,979,170
Pension plan (Mega Products)	5.75%	312,159,585
Pension plan (Comprehensive-EPP)	5.75%	128,364,974
Pension plan (Futura)	5.75%	163,545,592
Pension plan (Pitaka Products)	5.75%	98,178,114
Pension plan (Alkansya Products)	5.75%	101,169,253
Pension plan (Pangarap/Plus)	5.75%	71,212,054
Pension plan (Booster Products)	5.75%	26,413,582
Pension plan (I/Plan Products)	5.75%	16,893,523
Pension plan (Standard)	5.75%	3,882,870
Pension plan (Surehealth Products)	5.75%	7,321,464
Pension plan (Standard-EPP)	5.75%	5,093,791
		₱6,646,203,081

- Life Plan

Type of Pre-Need Product	PNR using Attainable Interest Rate Rate (%)	Amount
Life plan (Ultima)	5.75%	₱1,228,133,592
Life plan (Classic Memorial)	5.75%	962,743,618
Life plan (Payapa)	5.75%	242,491,045
Life plan (Virtue)	5.75%	211,417,624
Life plan (Panatag)	5.75%	126,736,444
Life plan (Heritage)	5.75%	183,125,012
Life plan (Pamana)	5.75%	87,170,290
Life plan (Interment)	5.75%	120,263,263
Life plan (Inheritage (50/100)	5.75%	27,804,652
Life plan (Serenity)	5.75%	31,652,438
Life plan (Dignity)	5.75%	25,422,543
Life plan (MAP)	5.75%	25,270,708
Life plan (Nacional)	5.75%	17,494,080
Life plan (Parangal)	5.75%	2,435,165
		₱3,292,160,474

- Lapse and Surrender Rates
  The lapse rate assumptions are based on the Company's monitoring of withdrawals over 2011 to 2020 and are predicated on management's assessment on the effect of the COVID-19 pandemic. For surrender rates during paying period, the actively paying population is mostly comprised of products with QPU features, hence 100% surrender assumption on those who lapse was used. The surrender rate assumptions after paying period are based on the Company's updated experience study which used data from 2018 to 2020 and are predicated on the success of their Liability Management Program (LMP). Although there was an increase in the recent period of the study, the Company used 6% for Education and Pension and 5% for Life/Memorial, as the period 2020 – 2021 is regarded as a short term-phenomenon arising from the effects of the pandemic.

  The reinstatement rate assumptions are based on the Company's experience validated through periodic studies from 2004 to 2007. Lapse and surrender rates vary by product, depending on product design and features such as premium-payment period and pre-termination benefits. In general, lapse rates are highest during the first year and decrease as the plans become paid-up. Where the probability of pre-termination of fully-paid plans was below 5.00%, no pre-termination rate was considered in determining the PNR. The derecognition of liability shall be recorded at pre-termination date.

The lapse, surrender and reinstatement rates used by the Company in 2023 and 2022 are shown below:

a. Lapse rates

Life, Pension and Education

2023

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**0.00%**	**0.60%**	**0.60%**	**10.00%**	**5.38%**	**8.76%**
2	**-**	**0.60%**	**0.60%**	**6.20%**	**4.52%**	**7.82%**
3	**-**	**-**	**0.60%**	**3.85%**	**3.80%**	**6.97%**
4	**-**	**-**	**-**	**2.38%**	**3.20%**	**6.19%**
5	**-**	**-**	**-**	**1.48%**	**2.69%**	**5.50%**
6	**-**	**-**	**-**	**-**	**2.26%**	**4.88%**
7	**-**	**-**	**-**	**-**	**1.90%**	**4.34%**
8	**-**	**-**	**-**	**-**	**-**	**3.89%**
9	**-**	**-**	**-**	**-**	**-**	**3.51%**
10	**-**	**-**	**-**	**-**	**-**	**3.22%**

2022

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	0.00%	0.60%	0.60%	10.00%	5.38%	8.76%
2	–	0.60%	0.60%	6.20%	4.52%	7.82%
3	–	–	0.60%	3.85%	3.80%	6.97%
4	–	–	–	2.38%	3.20%	6.19%
5	–	–	–	1.48%	2.69%	5.50%
6	–	–	–	–	2.26%	4.88%
7	–	–	–	–	1.90%	4.34%
8	–	–	–	–	–	3.89%
9	–	–	–	–	–	3.51%
10	–	–	–	–	–	3.22%

b. Surrender rates

Life, Pension and Education

2023

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
2		**100%**	**100%**	**100%**	**100%**	**100%**
3			**100%**	**100%**	**100%**	**100%**
4				**100%**	**100%**	**100%**
5				**100%**	**100%**	**100%**
6					**100%**	**100%**
7					**100%**	**100%**
8						**100%**
9						**100%**
10						**100%**

2022

Year	Non - Quick Paid-Up (QPU) and QPU Products 1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	–	100.00%	100.00%	100.00%	100.00%	100.00%
3	–	–	100.00%	100.00%	100.00%	100.00%
4	–	–	–	100.00%	100.00%	100.00%
5	–	–	–	100.00%	100.00%	100.00%
6	–	–	–	–	100.00%	100.00%
7	–	–	–	–	100.00%	100.00%
8	–	–	–	–	–	100.00%
9	–	–	–	–	–	100.00%
10	–	–	–	–	–	100.00%

c. Reinstatement rates

Life, Pension and Education: 10.00% for 2023 and 10% for 2022

(b) *Sensitivity of PNR*
The key assumptions, to which the estimation of PNR is compared, are shown below. Any fluctuation on the assumption should be validated and observed before application in the computation of PNR:

- Interest Rates
Estimates are made as to future investment income arising from the assets that back up pre-need contracts. These estimates are based on current market returns, expectations about future economic and financial developments, and the Company's investment strategies.

2023

	Change in Assumptions	**Increase in Liabilities**	**Decrease in Income Before Tax**
Valuation interest rates	**5.50%**	**₱143,570,143**	**(₱143,570,143)**
	5.00%	**449,735,368**	**(449,735,368)**
	4.00%	**1,161,348,270**	**(1,161,348,270)**
	3.00%	**2,011,508,923**	**(2,011,508,923)**

2022

	Change in Assumptions	Increase in Liabilities	Decrease in Income Before Tax
Valuation interest rates	5.50%	₱242,451,576	(₱242,451,576)
	5.00%	588,383,209	(588,383,209)
	4.00%	1,328,195,463	(1,328,196,463)
	3.00%	2,203,358,094	(2,203,358,094)

Lapse and Surrender Rates

Lapses relate to the termination of policies due to nonpayment of premiums. Surrenders relate to the voluntary termination of policies by planholders. Plan termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

2023

	Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Tax**
Lapsation and surrender rates	**+10%**	**(₱57,384,304)**	**₱57,384,304**
	-10%	**90,804,094**	**(90,804,094)**

2022

	Change in Assumptions	Increase (Decrease) in Liabilities	Increase (Decrease)in Income Before Tax
Lapsation and surrender rates	+ 10%	(₱33,044,994)	₱33,044,994
	-10%	33,245,695	(33,245,695)

(c) *Insurance premium reserve*
The Company purchases group insurance benefits from an insurance company. Since pre-need plans are limited pay where insurance coverage may be provided even after the premium payment period, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the instalment paying period. Thus, the Company sets aside IPR to pay for insurance premiums due after the paying period. The IPR is the present value of all such insurance premiums payable to the insurance company. The calculation uses the same actuarial assumptions and considers the portion of future instalments allotted for insurance expenses.

IPR included in the 'Other reserves' account in the statement of financial position amounted to ₱183,299,552 and ₱203,152,528 as of December 31, 2023 and 2022, respectively (see Note 17).

(d) *Fair value of service assets - memorial lots*
The service assets - memorial lots are valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by the SEC and valued using market data approach.

With this approach, the value of the service assets - memorial lots is based on sales and listings of comparable memorial lots registered in the vicinity. The technique of this approach requires the establishment of comparable memorial lots by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject memorial lots and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use. It is possible that future results of operations could be affected by changes in these estimates brought about by the changes in the factors mentioned.

As of December 31, 2023 and 2022, the fair market value of service assets - memorial lots follows:

	2023	2022
Service assets - memorial lots		
Held in trust funds (Notes 10 and 26)	**₱4,334,063,483**	₱4,690,142,656
Not held in trust funds		
Corporate (Notes 13 and 26)	**4,497,650,718**	4,663,747,394
Insurance premium fund (Notes 11 and 26)	**44,114,312**	−

(e) Fair values of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the Company's statement of income. The Company engaged independent appraisers accredited by the SEC to determine fair value using income and market data approach.

With income approach, an indication of value is derived for income producing property by converting anticipated future benefits into current property value. With market data approach, the value of investment properties consider the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

As of December 31, 2023 and 2022, the fair market values of investment properties follow:

	2023	2022
Investment properties		
Held in trust funds (Note 10)	**₱1,329,216,000**	₱1,025,529,000
Held under insurance premium fund (Note 11)	**46,677,000**	41,851,000

(f) Fair values of financial assets

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

As of December 31, 2023 and 2022, the carrying amounts of financial assets measured at fair value follows:

	2023	2022
Financial assets		
Held in trust funds (Note 10)	**₱11,527,157,455**	₱10,944,164,870
Held under insurance premium fund (Note 11)	**43,407,874**	44,715,055
Not held in trust funds (Note 8)	**130,391,482**	106,667,032

(g) *Expected credit losses on financial assets*

The Company reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income.

In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Company's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Company's expected credit loss models

The carrying values of allowance for expected credit losses on accounts not held in trust funds relating to cash and cash equivalents (excluding cash on hand), investments, investment securities at amortized cost under insurance premium fund and loans and receivables of the Company as of December 31, 2023 and 2022 are shown below:

	2023	2022
Cash and cash equivalents (Notes 7 and 33)	**₱523,685**	₱421,464
Loans and receivable (Notes 8 and 33)	**18,678,238**	4,396,286
Insurance Premium Fund (Notes 11 and 33)	**34,959**	84,045
	₱19,236,882	₱4,901,795

Provision for (recovery of) credit losses on financial assets (Note 23) are as follows:

	2023	2022
Cash and cash equivalents	**₱102,221**	₱51,414
Loans and receivable	**14,281,952**	(64,116)
Insurance Premium Fund	**(49,086)**	(23,806)
	₱14,335,087	(₱36,508)

(h) Recognition of deferred tax assets
Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused tax losses and/or tax credits. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

The details of the temporary differences with unrecognized deferred tax assets and recognized deferred tax assets and liabilities are disclosed in Note 25.

(i) Pension and other employee benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension liability as of December 31, 2023 amounted to ₱2,755,854 and the net pension asset as of December 31, 2022 amounted to ₱15,265,462(see Note 18).

(j) Contingencies
The Company is currently involved in legal proceedings and other claims from third parties. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel.

The Company does not believe that these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates (see Note 30).

7. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents

This account consists of:

	2023	2022
Revolving funds	**₱15,000**	₱15,000
Cash in banks	**163,213,223**	191,737,949
Cash equivalents	**332,831,381**	526,495,049
	496,059,604	718,247,998
Less allowance for credit losses (Notes 6 and 33)	**523,685**	421,464
Total (Note 26)	**₱495,535,919**	₱717,826,534

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term rates that ranged from 6.00% to 6.30% and 4.00% to 4.75% in 2023 and 2022, respectively.

Interest income earned on cash in banks amounted to ₱3,446,415 and ₱982,503 in 2023 and 2022, respectively (see Note 21).

Interest income earned on cash equivalents amounted to ₱25,977,477 and ₱10,243,093 in 2023 and 2022, respectively (see Note 21).

In 2023 and 2022, cash and cash equivalents were carried at Stage 1 and there were no transfers into and out of Stage 1.

8. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2023	2022
Financial assets at FVTPL (Note 6)	**₱130,391,482**	₱106,667,032
Loans and receivables - net	**117,103,634**	104,455,139
	₱247,495,116	₱211,122,171

The assets included in each of the categories above are detailed below:

a) Financial assets at FVTPL

	2023	2022
Investments in mutual funds	**₱130,202,146**	₱106,485,487
Equity securities	**189,336**	181,545
	₱130,391,482	₱106,667,032

Interest income earned on financial assets at FVTPL amounted to ₱3,512,578 and ₱4,631,041 in 2023 and 2022, respectively (see Note 21).

The rollforward of financial assets at FVTPL not held in trust funds follows:

	2023	2022
Balance at January 1	**₱106,667,032**	₱109,452,340
Additions	**20,000,000**	–
Fair value gain (losses) (Note 21)	**3,724,450**	(2,785,308)
Balance at December 31	**₱130,391,482**	₱106,667,032

b) Loans and receivables –net

	2023	2022
Cash facility loans	**₱58,083,076**	₱31,014,182
Due from related parties (Note 27)	**27,763,351**	28,979,314
Receivable from credit card companies	**15,592,223**	18,375,757
Receivable from trustee bank	**19,232,498**	12,587,546
Receivables from mortuary	**8,544,163**	6,684,376
Advances to officers and employees	**3,093,446**	5,266,987
Advances to agents and others	**3,473,115**	4,108,451
Advances to suppliers	–	1,834,812
	135,781,872	108,851,425
Less allowance for expected credit losses (Notes 6 and 33)	**18,678,238**	4,396,286
	₱117,103,634	₱104,455,139

Cash facility loans consist mainly of interest-bearing loans; due in two (2) years or less, granted to planholders against the security of their respective accumulated pre-need plan credits. The interest on cash facility loans is 10.00% effective for December 31, 2023 and 2022.

Total processed and approved loan applications aggregated to 515 and 192 loans as of December 31, 2023 and 2022, respectively. The interest income from cash facility loans amounted to ₱3,902,993 and ₱1,659,682 in 2023 and 2022, respectively (see Note 21).

Advances to agents and others consist of receivable from agents arising from unremitted premium collections, advances of commissions, receivable from counselors and loans.

Advances to officers and employees pertain to interest-bearing salary loans and car loans, cash advances for various sales, marketing, operational, financial and administrative activities, and benefits being advanced by the Company.

Advances to suppliers are non-interest bearing transactions pertaining to payments made to regular contractors and suppliers for various renovations made by the Company.

Allowance on credit losses on loans and receivables are all related to impaired accounts which are classified as Stage 3 of credit exposure. The rollforward analysis of allowance for impairment losses follows:

2023

	Advances to Agents	**Receivable from credit card companies**	**Other Receivables**	**Total**
Balance at January 1	**₱3,980,219**	–	**₱416,067**	**₱4,396,286**
Provision during the year (Note 6)	**(631,153)**	**14,755,434**	**157,671**	**14,281,952**
Write-off	–	–	–	–
Balance at December 31	**₱3,349,066**	**14,755,434**	**₱ 573,738**	**₱18,678,238**

2022

	Advances to Agents	Receivable from credit card companies	Other Receivables	Total
Balance at January 1	₱4,044,335	–	₱12,666,643	₱16,710,978
Provision during the year (Note 6)	(64,116)		–	(64,116)
Write-off	–	–	(12,250,576)	(12,250,576)
Balance at December 31	₱3,980,219	–	₱416,067	₱4,396,286

9. Prepayments and Accrued Income

This account consists of:

	2023	2022
Prepaid expenses	**₱8,818,913**	₱9,929,503
Input tax	**4,337,177**	2,453,176
Interest receivable (Note 26)	**3,163,043**	1,819,554
Deposits (Note 26)	**1,100,559**	852,909
	₱17,419,692	₱15,055,142

Prepaid expenses pertain to advance payments made by the Company relative to supplies, rent and insurance.

Input tax refers to the excess VAT against output VAT for 2023 and 2022.

Deposits consist mainly of rental deposits to be refunded to the Company by the respective lessors at the end of the lease term.

Interest receivable pertains to interest accrued arising from cash in bank with interest rates ranging from 4.00% to 6.00% and 2.25% to 4.00% per annum in 2023 and 2022, respectively, and cash equivalents with interest rates ranging from 6.00% to 7.82% and 4.38% to 7.82% per annum in 2023 and 2022, respectively.

10. Investments in Trust Funds

Mandatory Investments in Trust Funds

The Company has trust funds which are being administered by local banks under trust agreements for the fulfilment of the Company's obligations under the pre-need life, pension and education plan agreements.

In compliance with Chapter VIII, Section 30 of the Pre-need Code and in accordance with the terms of the trust agreements, no withdrawal shall be made from the trust funds except for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders; and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

To determine the sufficiency and adequacy of the fund, an annual pre-need reserve valuation report establishing the reserve requirement and contractual liabilities of the pre-need company shall be made and submitted to the IC, within 120 days from end of the calendar year.

Upon approval by the IC of the pre-need reserve computation, any deficiency in the trust funds, when compared to the reserve liabilities as reported in the pre-need reserve valuation report, shall be funded by the pre-need company within sixty (60) days from such approval.

The status of the investment in trust fund against the pre-need reserves and plan benefits payable per plan category follows:

December 31, 2023

	Life	Pension	Education	Total
Investments in trust funds	**₱4,353,889,510**	**₱8,249,241,092**	**₱5,372,115,410**	**₱17,975,246,012**
Less: 'Pre-need reserves' (Note 16)	**3,558,644,148**	**6,013,089,081**	**3,133,253,862**	**12,704,987,091**
Excess of investments in trust funds over pre-need reserve	**795,245,362**	**2,236,152,011**	**2,238,861,548**	**5,270,258,921**
Less: 'Benefits payable' (Note 15)	**322,114,810**	**2,090,332,869**	**2,159,436,178**	**4,571,883,857**
Subtotal	**473,130,552**	**145,819,142**	**79,425,370**	**698,375,064**
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines			**218,501,099**	**218,501,099**
Subtotal before breaches	**473,130,552**	**145,819,142**	**(139,075,729)**	**479,873,965**
Less: Single issuer limit - PSE	–	**233,260,679**	**102,847,886**	**336,108,565**
Single entity limit – Long term commercial papers	–	**14,854,965**	–	**14,854,965**
Excess of investments in trust funds over pre-need reserves and benefits payable *	**₱473,130,552**	**(₱102,296,502)**	**(₱241,923,615)**	**₱128,910,435**

*Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*

December 31, 2022

	Life	Pension	Education	Total
Investments in trust funds	₱4,008,494,088	₱8,943,827,466	₱5,671,085,207	₱18,623,406,761
Less: 'Pre-need reserves' (Note 16)	3,292,160,474	6,646,203,081	3,791,971,059	13,730,334,614
Excess of investments in trust funds over pre-need reserve	716,333,614	2,297,624,385	1,879,114,148	4,893,072,147
Less: 'Benefits payable' (Note 15)	338,070,798	2,194,395,900	1,761,487,860	4,293,954,558
Subtotal	378,262,816	103,228,485	117,626,288	599,117,589
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines	–	–	127,394,999	127,394,999
Subtotal before breaches	378,262,816	103,228,485	(9,768,711)	471,722,590
Less: Single issuer limit - PSE	–	254,584,521	188,960,746	443,545,267
Single entity limit – Long term commercial papers	–	1,941,163	–	1,941,163
Excess of investments in trust funds over pre-need reserves and benefits payable *	₱378,262,816	(₱153,297,199)	(₱198,729,457)	₱26,236,160

*Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*

The Company's investments in trust funds consist of the following:

	December 31, 2023			
	Life	**Pension**	**Education**	**Total**
Assets				
Cash and cash equivalents (Note 26)	**₱76,345,158**	**₱264,728,625**	**₱90,225,077**	**₱431,298,860**
Financial assets at FVTPL (Note 26)	**868,889,556**	**2,325,133,746**	**973,823,813**	**4,167,847,115**
Financial assets at FVOCI (Note 26)	**2,791,168,705**	**3,543,510,017**	**1,024,631,618**	**7,359,310,340**
Receivables (Note 26)	**4,692,143**	**45,785,864**	**1,506,101,138**	**1,556,579,145**
Accrued income (Note 26)	**41,850,609**	**48,161,455**	**17,340,441**	**107,352,505**
Service assets	**712,274,244**	**2,848,698,166**	**773,091,073**	**4,334,063,483**
Investment properties	–	–	**1,329,216,000**	**1,329,216,000**
	4,495,220,415	**9,076,017,873**	**5,714,429,160**	**19,285,667,448**
Less liabilities				
Accrued expenses and other liabilities (Note 26)	**10,658,917**	**253,625,575**	**12,258,007**	**276,542,499**
Deferred tax liability	**130,671,989**	**573,151,204**	**330,055,744**	**1,033,878,937**
	₱4,353,889,509	**₱8,249,241,094**	**₱5,372,115,409**	**₱17,975,246,012**
Net equity				
Fund balance				
Balance at January 1	**₱4,143,415,654**	**₱9,062,563,516**	**₱5,709,298,546**	**₱18,915,277,716**
Additional contributions	**210,817,293**	**110,112,391**	**165,060,523**	**485,990,207**
Withdrawals	**(138,897,375)**	**(1,296,838,704)**	**(878,711,092)**	**(2,314,447,171)**
	₱4,215,335,572	**₱7,875,837,203**	**₱4,995,647,977**	**₱17,086,820,752**

(Forward)

	December 31, 2023			
	Life	**Pension**	**Education**	**Total**
Net income (net of provision for income tax of ₱62,617,305) in 2023 (Notes 20 and 25)	**₱160,145,300**	**₱379,924,772**	**₱374,360,368**	**₱914,430,440**
Balance at December 31	**₱4,375,480,872**	**₱8,255,761,975**	**₱5,370,008,345**	**₱18,001,251,192**
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	**(₱134,921,567)**	**(₱118,736,050)**	**(₱38,213,339)**	**(₱291,870,956)**
Transfer to profit or loss	**(3,725,234)**	**20,201,392**	**35,583,796**	**52,059,954**
Fair value gains	**117,055,438**	**92,013,775**	**4,736,609**	**213,805,822**
Balance at December 31	**(21,591,363)**	**(6,520,883)**	**2,107,066**	**(26,005,180)**
	₱4,353,889,509	**₱8,249,241,092**	**₱5,372,115,411**	**₱17,975,246,012**

	December 31, 2022			
	Life	Pension	Education	Total
Assets				
Cash and cash equivalents (Note 26)	₱327,743,304	₱359,734,797	₱341,193,629	₱1,028,671,730
Financial assets at FVTPL (Note 26)	777,006,173	2,384,395,436	1,062,371,375	4,223,772,984
Financial assets at FVOCI (Note 26)	2,209,120,488	3,532,374,964	978,896,434	6,720,391,886
Receivables (Note 26)	25,205,384	106,982,463	1,696,963,400	1,829,151,247
Accrued income (Note 26)	50,033,487	193,847,569	32,771,841	276,652,897
Service assets	763,213,545	3,130,955,718	795,973,393	4,690,142,656
Investment properties	−	−	1,025,529,000	1,025,529,000
	4,152,322,381	9,708,290,947	5,933,699,072	19,794,312,400
Less liabilities				
Accrued expenses and other liabilities (Note 26)	2,738,752	135,824,211	11,013,137	149,576,100
Deferred tax liability	141,089,541	628,639,270	251,600,728	1,021,329,539
	₱4,008,494,088	₱8,943,827,466	₱5,671,085,207	₱18,623,406,761
Net equity				
Fund balance				
Balance at January 1	₱3,976,031,163	₱10,504,414,104	₱7,321,187,311	₱21,801,632,578
Additional contributions	239,292,321	1,028,437,864	563,694,306	1,831,424,491
Withdrawals	(196,167,445)	(2,336,220,897)	(2,160,008,139)	(4,692,396,481)
	4,019,156,039	9,196,631,071	5,724,873,478	18,940,660,588
Net income (net of provision for income tax of ₱131,311,108) (Notes 20 and 25)	124,259,616	(₱134,067,555)	(₱15,574,932)	(₱25,382,871)
Balance at December 31	₱4,143,415,655	₱9,062,563,516	₱5,709,298,546	₱18,915,277,717
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	₱5,334,468	₱10,990,718	₱2,184,702	₱18,509,888
Transfer to profit or loss	(30,033,319)	(115,287,613)	(58,383,798)	(203,704,730)
Fair value gains	(110,222,716)	(14,439,155)	17,985,757	(106,676,114)
Balance at December 31	(134,921,567)	(118,736,050)	(38,213,339)	(291,870,956)
	₱4,008,494,088	₱8,943,827,466	₱5,671,085,207	₱18,623,406,761

Assets Held in Trust Funds

The assets included in each of the categories above are detailed below:

a) Cash and cash equivalents

The breakdown of the cash and equivalents follows:

	2023	2022
Savings deposit	**₱117,461,771**	₱132,507,814
Special savings deposit	−	120,043,000
Time deposit certificates	**302,747,300**	323,074,071
Demand deposit	**11,089,789**	453,046,845
	₱431,298,860	₱1,028,671,730

Cash and cash equivalents earn interest ranging from to 3.25% to 6.30% in 2023 and 0.25% to 1.20% in 2022, respectively.

Interest income earned on cash and cash equivalents amounted to ₱18,471,876 and ₱7,456,104 in December 31, 2023 and 2022, respectively (see Note 20).

b) *Financial assets*

The breakdown of financial assets follows:

Financial assets at FVTPL

	2023	2022
Equity securities - listed shares	**₱3,288,471,594**	₱3,361,408,694
Investments in mutual funds	**879,375,521**	862,364,290
	₱4,167,847,115	₱4,223,772,984

Dividend income from listed equity securities amounted to ₱113,713,016 and ₱127,170,902 in 2023 and 2022, respectively (see Note 20).

Financial assets at FVOCI

	2023	2022
Government securities	**₱6,517,341,002**	₱5,879,575,783
Private bonds	**761,137,429**	753,511,671
Commercial papers	**80,831,909**	87,304,432
	₱7,359,310,340	₱6,720,391,886

Interest income from debt securities classified as FVOCI amounted to ₱337,288,516 and ₱397,781,276 in 2023 and 2022, respectively (see Note 20).

Movements in 'Unrealized gains (losses) on financial assets at FVOCI' follow:

	2023	2022
Balance at January 1	**(₱291,870,956)**	₱ 18,509,888
Changes in fair value	**213,805,822**	(106,676,114)
Transfers to profit or loss	**52,059,954**	(203,704,730)
Balance at December 31	**(₱26,005,180)**	(₱ 291,870,956)

c) *Accrued income*

Accrued income pertains to interest accrued arising from cash and cash equivalents and debt securities with interest rates ranging from 3.25% to 11.25 % in 2023 and 1.25% to 11.25% in 2022, respectively. The total accrued income amounted to ₱107,352,505 and ₱276,652,897 as of December 31, 2023 and 2022, respectively.

d) Service assets - memorial lots

In June 2015, the Company acquired 5,286 memorial lots from different assignors for a total consideration of ₱1,291,312,000. These memorial lots as evidenced by the Heritage Park investment certificates held by the trustee banks are intended for bundling with the life and pension plans of the Company.

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair market value through profit or loss.

Service assets-memorial lots sold on an installment basis are measured at the contract price agreed upon execution of the deed of sale.

As of December 31, 2023 and 2022, the fair value of these service assets - memorial lots amounted to ₱4,334,063,483 and ₱4,690,142,656 respectively (Note 6), and the related deferred tax liability amounted to ₱851,794,688 and ₱915,167,040, respectively.

As of December 31, 2023 and 2022, the acquisition cost of these service assets - memorial lots amounted to ₱926,884,731 and ₱1,029,474,498, respectively, and the total number of lots is 3,306 and 3,548, respectively.

As of December 31, 2023 and 2022, the fair values of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers dated December 1, 2022. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site. The higher the price per square meter, the higher the fair value.

As of December 31, 2023 and 2022, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured using a valuation technique which uses observable inputs, either directly or indirectly, that have significant effect on the recorded fair value.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

			Range (weighted average)	
Location	**Valuation techniques**	**Key inputs**	**2023**	2022
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City Metropolitan, Manila				
Lawn lot	Sales comparison approach	Market value per lot	**₱270,000**	₱270,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**₱270,000**	₱ 300,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

(Forward)

Location	Valuation techniques	Key inputs	Range (weighted average) 2023	2022
Garden lot	Sales comparison approach	Market value per lot	**₱2,730,000**	₱2,700,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price	**₱2,730,000**	₱3,000,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Estate lot	Sales comparison approach	Market value per lot	**₱18,300,000**	₱18,360,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Asking price	**₱18,300,000**	₱20,400,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

As of December 31, 2023 and 2022, the service assets of the Company are covered under IC Circular Letter No. 2022-37 in which the liquidation thereof is prescribed within 3 years.

e) *Receivables*

In 2021, service assets also include commercial land in EDSA corner T. Benitez St. Barangay West Triangle, Quezon City. As of December 31, 2021, the fair value of these service assets - EDSA Property amounted to ₱1,911,814,000. On April 7, 2022, BPI Asset Management and Trust Corporation, the trustee bank of the Education trust fund has executed the Contract to Sell with a related party of the Company for the investment property located at EDSA corner T. Benitez St. Barangay West Triangle, Quezon City (Note 10). This property consisted of two (2) parcel of lots with a total area of seven thousand two hundred ninety seven (7,297) square meters. The total purchase price for the property is ₱1,882,626,000, which will be paid in installment.

As of December 31, 2023 and 2022, the carrying book value of the receivables amounted to ₱1,556,579,145 and ₱1,829,151,247, respectively:

	2023	2022
Service assets:		
Heritage Lots	**₱50,478,007**	₱134,787,847
EDSA property	**1,506,101,138**	1,694,363,400
	₱1,556,579,145	₱1,829,151,247

f) *Investment properties held in trust funds*

The rollforward analysis of this account follows:

	2023	2022
Balance at January 1	**₱1,025,529,000**	₱1,025,529,000
Fair value gain (loss) (Note 20)	**303,687,000**	–
Balance at December 31	**₱1,329,216,000**	₱1,025,529,000

The comparison of the acquisition cost and the fair value of investment properties are as follows:

	2023	2022
Acquisition cost	**₱600,879,003**	₱600,879,003
Accumulated fair value gain	**728,336,997**	424,649,997
Fair value as at December 31	**₱1,329,216,000**	₱1,025,529,000

As of December 31, 2023 and 2022, the related deferred tax liability amounted to ₱182,084,249 and ₱106,162,499, respectively.

Investment properties consist of commercial land in National Road, Barangay Real, Calamba City and a land with commercial building in Barangay Bel-Air, Salcedo Village, Makati City.

Rent income derived from this investment property amounted to ₱33,259,966 and ₱32,452,696 in 2023 and 2022, respectively (Note 20). Direct expenses incurred from this asset amounted to ₱10,482,721 and ₱12,664,666 in 2023 and 2022, respectively.

The fair values of investment properties were based on valuation performed by independent qualified professional appraiser for the trustee bank and were arrived at using the Market Data and Discounted Cash Flow Analysis Approach.

In Market Data approach, the values are based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

In Discounted Cash Flow Analysis technique, the lessor's interest of the land is estimated by computing the present worth of all future income stream stipulated in the lease contract, and is then discounted as an annuity throughout the remaining life of the lease contract at an interest rate consistent with the prevailing investment rate involving risk similar to the property under review.

The Company has determined that the highest and best use of the investment properties has been determined to be for commercial use.

As of December 31, 2023 and 2022, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

2023

Location	Date of valuatior	Valuation techniques	Significant unobservable inpu	Range (weighted average)
National Road,	December 7, 202	Discounted Cas		
Barangay Real,		Flow	Unit price (P/sq.m.	₱40,000
Calamba City		Analysis appro	Discount rate	9.16%
			Escalation rate	8.00%
Sen. Gil J. Puyat Avenue	September 18, 2023	Market data	Unit price (P/sq.m.	₱400,000 to ₱1,413,760
Barangay Bel-Air, Salcedo		Approach		
Village, Makati City			Lot area (sq.m.)	1,425 sq.m
			Adjustment factor:	
			Location	-20%
			Size	-10%
			Time Element	-10%
			Market Resistan	-15%

2022

Location	Date of valuation	Valuation techniques	Significant unobservable inputs	Range (weighted average)
National Road, Barangay Real, Calamba City	December 14, 2020	Discounted Cash Flow Analysis approach	Unit price (P/sq.m.)	₱34,000
			Discount rate	8.76%
			Escalation rate	8.00%
Sen. Gil J. Puyat Avenue	October 29, 2021	Market data	Unit price (P/sq.m.)	₱400,000 to ₱401,540
Barangay Bel-Air, Salcedo Village, Makati City		Approach	Lot area (sq.m.)	1,425 sq.m
			Adjustment factors	
			Location	5%
			Size	5%
			Time Element	10%
			Market Resistance	-15%

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor’s perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

g) *Accrued expenses and other liabilities*

The breakdown of the accrued expenses and other liabilities follows:

	2023	2022
Accounts payable	**₱260,275,214**	₱135,281,186
Accrued expenses	**8,493,169**	8,742,111
Taxes payable	**635,108**	553,654
Miscellaneous	**6,359,406**	4,999,149
	₱275,762,897	₱149,576,100

h) Deferred tax liability

The breakdown of deferred tax liability on investment properties and service assets - memorial lots and investment properties follows:

	2023	2022
Service assets	**₱851,794,688**	₱915,167,040
Investment properties	**182,084,249**	106,162,499
	₱1,033,878,937	₱1,021,329,539

Total contributions to the trust funds amounted to ₱485,990,207 and ₱1,831,424,491 in 2023 and 2022, respectively.

Withdrawals from the trust fund consist of the following:

2023

	Life	**Pension**	**Education**	**Total**
Benefits paid	**₱143,617,268**	**₱1,322,623,418**	**₱908,199,396**	**₱2,374,440,082**
Cancelled/Redeposited	**(4,719,893)**	**(25,784,714)**	**(29,488,304)**	**(59,992,911)**
Total	**₱138,897,375**	**₱1,296,838,704**	**₱878,711,092**	**₱2,314,447,171**

2022

	Life	Pension	Education	Total
Benefits paid	₱199,738,211	₱2,350,966,496	₱2,178,983,570	₱4,729,688,277
Cancelled/Redeposited	(3,570,766)	(14,745,599)	(18,975,431)	(37,291,796)
Total	₱196,167,445	₱2,336,220,897	₱2,160,008,139	₱4,692,396,481

To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust funds of a pre-need company shall be limited to the following and subject to limitations under Chapter VIII, Section 34 of the Pre-need Code: Investments in Trust Fund and Insurance Commission circular letter.

As of December 31, 2023 and 2022, the Company has exceeded the limit for equities (single issuer) for both Education and Pension Plans and limits for long term commercial papers (single issuer) for Pension Plans under IC Circular Letter No. 2022-25 and IC Circular Letter No. 2022-37.

11. **Insurance Premium Fund**

This account consists of:

	2023	2022
Assets		
Cash in banks	**₱3,235,377**	₱19,062
Short-term investments	**64,170,296**	61,378,384
Financial assets at FVTPL (Note 26)	**42,917,542**	44,715,055
Financial assets at amortized cost (Note 26)	**54,965,041**	54,915,955
Inventories - memorial lots	**10,000,000**	21,370,297
Investment property	**46,677,000**	41,851,000
Property and equipment	–	25,909,163
Service assets	**44,114,312**	–
Subtotal	**266,079,568**	250,158,916
Less: Accrued expenses and other liabilities	**11,500**	10,120
Deferred tax liability	**1,219,170**	12,669
	₱264,848,898	₱250,136,127

The roll forward analysis of the account follows:

	2023	2022
Balance at January 1	**₱250,136,127**	₱252,436,801
Additional contributions	**64,029,264**	73,381,836
Withdrawals during the year	**(64,671,531)**	(74,461,760)
	249,493,860	251,356,877
Gain (loss) on market appreciation of investment property, net of deferred tax liability	**3,619,500**	916,500
Income from service assets	**214,769**	–
Fair value changes on financial assets at FVTPL (Note 21)	**10,536,121**	671,220
Depreciation during the year	–	(2,878,796)
Net income, net of final tax	**984,648**	70,326
Balance at December 31	**₱264,848,898**	₱250,136,127

The analysis of insurance premium fund income is as follows:

	2023	2022
Net income, net of final tax	**₱984,648**	₱70,326
Provision for expected credit losses	**(49,086)**	(23,806)
	₱935,562	₱46,520

As of December 31, 2023 and 2022, the Insurance premium fund has an excess over insurance premium reserve of ₱81,549,346 and ₱46,983,599, respectively.

a) Cash in banks and accrued income

Cash in banks earns interest at the prevailing bank deposit rates. Accrued income pertains to interest accrued arising from cash in banks with interest rates ranging from 3.25% to 6.30% and 4.00% to 4.75% in 2023 and 2022, respectively.

Interest income earned on cash in banks amounted to ₱963 in 2023 and ₱15 in 2022, respectively (see Note 21).

b) Financial Assets at FVTPL

Financial assets consist of listed equity securities and UITF.

	2023	2022
Equity securities - listed shares	**₱19,242,490**	₱21,184,445
Mutual fund	**23,675,052**	23,235,610
Investments in UITF	–	295,000
	₱42,917,542	₱44,715,055

Fair value changes on financial assets at FVTPL amounted to ₱10,536,121 in 2023 and ₱671,220 in 2022, respectively (see Note 21).

c) Financial assets at amortized cost

As of December 31, 2023 and 2022, this account consists of:

	2023	2022
Private bonds	**₱55,000,000**	₱55,000,000
Less allowance for expected credit losses (Notes 6 and 33)	**34,959**	84,045
	₱54,965,041	₱54,915,955

These investments, which will mature in 2024, bear interest rates ranging from 6.25% to 7.82% and 6.00% to 7.82% in 2023 and 2022, respectively.

The rollforward analysis of allowance for expected credit losses follows:

	2023	2022
Balance at January 1	**₱84,045**	₱107,851
Provision/Transfer	**(49,086)**	(23,806)
Balance at December 31 (Notes 6 and 33)	**₱34,959**	₱84,045

d) Inventories - memorial lots

In December 2015, the Company acquired from an affiliate, Philippine Life Financial Assurance Corporation (PhilLife), 2,291 memorial lots at Golden Haven Memorial Park, Barangay Pulang Lupa, Las Piñas City amounting to ₱120,043,090. In the same year, the Company also acquired 96 memorial lots at the same location from the one of the Company's stockholders for a total purchase price of ₱10,000,000.

These memorial lots are intended for individual sale and are not for bundling with any pre-need plan. The inventory of memorial lots as of December 31, 2023 and 2022 amounted to ₱10,000,000 and ₱21,370,297, respectively, and the total number of lots is 96 and 313 in 2023 and 2022, respectively. Total sales of memorial lots amounted to ₱16,437,248 and ₱20,406,769 in 2023 and 2022, respectively, and the total cost of sale of memorial lots recognized amounted to ₱11,370,297 and ₱14,461,760 in 2023 and 2022, respectively.

The commission expense arising from the sale of Golden Haven memorial lots, presented under 'Other direct cost and expenses' in the statements of income amounted to ₱2,464,000 and ₱3,139,000 in 2023 and 2022, respectively.

e) *Investment properties*

The roll forward analysis of this account follows:

	2023	2022
Balance at January 1	**₱41,851,000**	₱40,629,000
Disposals	–	–
Fair value gains (losses) (Note 21)	**4,826,000**	1,222,000
Balance at December 31	**₱46,677,000**	₱41,851,000

The comparison of the acquisition cost and the fair value of the investment property as of December 31, 2023 and 2022 follows:

	2023	2022
Acquisition cost	**₱41,800,326**	₱41,800,326
Fair value gain (losses)	**4,876,674**	50,674
Balance at December 31	**₱46,677,000**	₱41,851,000

The investment property pertains to warehouse condominium in San Antonio, Makati City.

San Antonio, Makati City
On June 9, 2016, the Company acquired a warehouse condominium located in San Antonio, Makati City amounting to ₱41,800,326. As of December 31, 2023 and 2022, the fair value of this investment property amounted to ₱46,677,000 and ₱41,851,000 respectively.

As of December 31, 2023 and 2022, an appraisal dated 13 November 2023 and 11 December 2021, respectively, was made for the purpose of expressing an opinion on the fair value of the property. The value of the condominium units was arrived at using Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation, and facilities offered and the time element.

As of December 31, 2023 and 2022, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

2023 **Location**	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
Warehouse condominium	Sales Comparison Approach	Estimated computed value per sq. m.	₱59,400 to ₱97,200
		Net price (/sq.m.)	₱99,000 to ₱162,000
		Internal factor	
		Location (building)	-10%
		Size	-10%
		Parking Slot Allocation	0%
		Condition	-20%
		Time Element	0%
		Internal Factor	-40%

2022 Location	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Warehouse condominium	Sales Comparison Approach	Estimated computed value per sq. m.	₱53,645 to ₱83,160
		Net price (/sq.m.)	₱107,290 to ₱118,800
		Internal factor	
		Location (building)	-20% to 0%
		Size	-20%
		Parking Slot Allocation	0%
		Condition	-10%
		Time Element	0%
		Internal Factor	-30% to -50%

f) Property and equipment

This account consists of:

	Office Condominium	
	2023	2022
Acquisition cost	**₱–**	₱57,575,917
Accumulated depreciation	–	(31,666,754)
Balance at December 31	**₱–**	₱25,909,163

In 2022, rent income under property and equipment in the insurance premium fund amounted to ₱2,208,290 (Note 21). In January 2023, the Company, with the approval of the board of directors, transferred the 14th floor condominium unit from ‘Insurance premium fund’ to ‘Property and equipment'. This property was replaced with various 52 Heritage Park memorial lots amounting to ₱26,190,000.

g) Deferred tax liability (asset)

The breakdown of deferred tax liability on the accumulated fair value changes on investment properties held under insurance premium fund follows:

	2023	2022
Balance at January 1	**₱12,669**	(₱292,831)
Provision for the year (Note 25)	**1,206,501**	305,500
Balance at December 31	**₱1,219,170**	₱12,669

12. Property and Equipment

The roll forward analysis of this account follows:

2023

	Office Condominium	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Leasehold/Bldg Improvements**	**Software Development**	**Total**
Cost						
Balance as at January 1	**₱–**	**₱9,560,322**	**₱15,238,954**	**₱–**	**₱115,119,524**	**₱139,918,800**
Additions	**–**	**–**	**1,160,424**	**₱4,101,465**	**5,165,650**	**10,427,539**
Transfer	**57,575,917**	**–**	**–**	**–**	**–**	**57,575,917**
Disposals and retirement	**–**	**(5,752,286)**	**–**	**–**	**(79,999,016)**	**(85,751,302)**
Balance as at December 31	**57,575,917**	**3,808,036**	**16,399,378**	**4,101,465**	**40,286,158**	**122,170,954**
Accumulated Depreciation and Amortization						
Balance as at January 1	**–**	**7,164,558**	**12,396,189**	**–**	**106,606,809**	**126,167,556**
Depreciation and amortization (Note 23)	**2,758,846**	**996,016**	**893,794**	**597,728**	**6,414,118**	**11,660,502**
Transfer	**31,666,754**	**–**	**–**	**–**	**–**	**31,666,754**
Disposal and retirement	**–**	**(5,752,286)**	**–**	**–**	**(79,999,016)**	**(85,751,302)**
Balance at December 31	**34,425,600**	**2,408,288**	**13,289,983**	**597,728**	**33,021,911**	**83,743,510**
Net Book Value	**₱23,150,317**	**₱1,399,748**	**₱3,109,395**	**₱ 3,503,737**	**₱ 7,264,247**	**₱ 38,427,444**

2022

	Office Condominium	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Software Development	Total
Cost						
Balance as at January 1	₱–	₱9,731,812	₱12,342,958	₱–	₱109,682,547	₱131,757,317
Additions	–	3,808,036	2,895,996	–	5,436,977	12,141,009
Disposals and retirement	–	(3,979,526)	–	–	–	(3,979,526)
Balance as at December 31	–	9,560,322	15,238,954	–	115,119,524	139,918,800
Accumulated Depreciation and Amortization						
Balance as at January 1	–	7,656,068	11,495,112	–	102,818,663	121,969,843
Depreciation and amortization (Note 23)	–	2,520,015	901,077	–	3,788,146	7,209,238
Disposal and retirement	–	(3,011,525)	–	–	–	(3,011,525)
Balance at December 31	–	7,164,558	12,396,189	–	106,606,809	126,167,556
Net Book Value	₱–	₱2,395,764	₱2,842,765	₱–	₱8,512,715	₱13,751,244

In 2023, total depreciation and amortization expense for property and equipment charged to operations amounted to ₱11,660,501. Total depreciation and amortization expense charged to operations amounted to ₱10,088,034 in 2022. Out of the total depreciation and amortization expense in 2022, ₱7,209,238 pertain to property and equipment in the corporate books and ₱2,878,796 pertains to property and equipment in the 'Insurance premium fund' account (Note 23).

In January 2023, the Company, with the approval of the board of directors, transferred the 14th floor condominium unit from 'Insurance premium fund' to 'Property and equipment'. This property was replaced with various 52 Heritage Park memorial lots amounting to P26,190,000 (Note 11).

Gain on sale of property and equipment amounted to ₱127,700 and ₱317,856 in 2023 and 2022, respectively (Note 21).

Fully depreciated property and equipment amounting to ₱37,819,728 and ₱11,464,121 as of December 31, 2023 and 2022, respectively, are still in active use.

There are no property and equipment pledged as security to obligations as of December 31, 2023 and 2022.

13. Service Assets – Memorial Lots

The roll forward analysis of this account follows:

	2023	2022
Balance at January 1	**₱4,663,747,394**	₱4,280,495,146
Disposals	**(155,439,720)**	(131,303,734)
Transfers	**(24,826,608)**	(408,000)
Cancelled	−	2,014,000
Income from service assets - memorial lots	**14,169,652**	512,949,982
Balance at December 31	**₱4,497,650,718**	₱4,663,747,394

As part of its business plan, the Company bundles memorial lots with its life plans and classifies these memorial lots as 'service assets - memorial lots' in the statement of financial position.

Transfers include contribution to ATRAM Trust and Insurance Premium Fund amounting to ₱146,880,000 and ₱44,820,000, respectively, and withdrawals from LandBank Trust amounting to (₱166,873,392).

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair value through profit or loss. The fair value of these service assets - memorial lots and the related deferred tax liability amounted to ₱4,497,650,718 and ₱882,796,250, respectively in 2023 and ₱4,663,747,394 and ₱920,457,013, respectively in 2022. The increase (decrease) in fair value in 2023 and 2022 amounting to ₱14,169,652 and ₱512,949,982, respectively is presented as "Income from service assets - memorial lots" in the statement of income.

The provision for income tax –deferred amounted to (₱25,143,002) and ₱81,054,605 in 2023 and 2022, respectively (Note 25).

As of December 31, 2023 and 2022, the fair value of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site.

The acquisition cost of these service assets - memorial lots amounted to ₱966,465,718 and ₱981,919,340 as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities is measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

	Valuation	Key	Range (weighted average)	
Location	**techniques**	**inputs**	**2023**	2022
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City Metropolitan, Manila				
Lawn lot	Market data approach	Market value per lot	**₱270,000**	₱270,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**₱300,000 to ₱300,000**	₱300,000 to ₱300,000
		Adjustment factor		
		Location	**0% to -10%**	0% to -10%
Garden lot	Market data approach	Market value per lot	**₱2,730,000**	₱2,700,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price	**₱3,000,000**	₱3,000,000
		Adjustment factor	**0% to -10%**	0% to -10%
		Location		
Estate lot	Market data approach	Market value per lot	**₱18,300,000**	₱18,360,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Adjustment factor		
		Adjustment factors	**P20,400,000 to ₱20,400,000**	₱20,400,000 to ₱20,400,000
		Location	**0% to -10%**	0% to -10%

14. Other Assets

This account consists of:

	2023	2022
Prepaid taxes	**₱86,509,508**	₱84,883,153
Others	**657,000**	657,000
	₱87,166,508	₱85,540,153

Prepaid taxes represent tax withheld at source by counterparties which can be utilized against future income tax payable.

Others pertains to deed of assignment for a lot and PLDT stocks certificates acquired as requirement for installation of lines.

15. Accrued Expenses and Other Liabilities

This account consists of:

	2023	2022
Benefits payable (Notes 2, 10 and 26)	**₱4,571,883,857**	₱4,293,954,558
Accounts payable (Note 26)	**391,050,407**	415,056,004
Payors' deposits (Note 26)	**103,284,247**	118,153,936
Contract liabilities (Note 26)	**286,780,844**	414,560,281
Counselors' bond reserves (Note 26)	**25,165,140**	25,108,232
Accrued expenses (Note 26)	**18,113,260**	18,178,956
Due to related parties (Notes 26 and 27)	**4,747,844**	5,853,482
Others	**45,335,288**	39,273,423
	₱5,446,360,887	₱5,330,138,872

The roll forward analysis of benefits payable follows:

December 31, 2023

	Life	**Pension**	**Education**	**Total**
Balance at January 1	**₱338,070,798**	**₱2,194,395,900**	**₱1,761,487,860**	**₱4,293,954,558**
Additions	**12,600,233**	**959,718,399**	**1,088,531,086**	**2,060,849,718**
Payments	**(28,556,221)**	**(1,063,781,430)**	**(690,582,768)**	**(1,782,920,419)**
Balance at December 31	**₱322,114,810**	**₱2,090,332,869**	**₱2,159,436,178**	**₱4,571,883,857**

December 31, 2022

	Life	Pension	Education	Total
Balance at January 1	₱422,020,618	₱3,042,581,596	₱2,280,542,611	₱5,745,144,825
Additions	23,506,190	1,227,247,861	1,113,093,204	2,363,847,255
Payments	(107,456,010)	(2,075,433,557)	(1,632,147,955)	(3,815,037,522)
Balance at December 31	₱338,070,798	₱2,194,395,900	₱1,761,487,860	₱4,293,954,558

Benefits payable consists mainly of payable arising from unclaimed matured life, pension and education plans including those enrolled under fund management services. It also includes dividends payable to each planholder who qualify for dividends under their participating plans.

Accounts payable and payor's deposits consist mainly of payable to suppliers arising from purchases of various office supplies, equipment and other capital expenditures. It also includes installment premiums received from planholders who applied for new business or reinstatement of plans, but premiums remain unapplied due to incomplete requirements. The payors' deposits are refundable to planholders upon receipt of request for reimbursements from the planholders.

Contract liabilities represent advance payment from customers on sale of memorial lots which shall be recognized as revenue in the statement of income when control over the memorial lots is transferred to the customer, which is generally upon transfer of legal title or upon full payment of the total consideration in the absence of certificate of title.

Counselors' bond reserves represent the aggregate amount of deductions from agents' commissions, bonuses and other cash incentives to accumulate a reserve. Upon separation of an agent from the Company, his accountability will be charged against this reserve.

Accrued expenses mainly pertain to accruals of operating expenses, conventions, and government contributions.

Due to related parties mainly pertains to the outstanding payable of the Company for the acquisition of software, memorial lots and shared expenses.

Others consist of excess payments on cash facility loans, taxes payable, due to insurer and reserves for legal contingencies.

16. Pre-need Reserves

Based on the actuarial certification issued by the consulting actuary accredited by the IC, the balance of the pre-need reserves as of December 31, 2023 and 2022 is ₱12,606,790,288 and ₱13,730,334,614, respectively.
This account consists of:

	2023	2022
Life (Note 6)	**₱3,558,644,148**	₱3,292,160,474
Pension (Note 6)	**6,013,089,081**	6,646,203,081
Education (Note 6)	**3,133,253,862**	3,791,971,059
	₱12,704,987,091	₱13,730,334,614

The following table represents breakdown of the increase (decrease) in this account:

	2023	2022
Life	**₱266,483,674**	₱221,492,535
Pension	**(633,114,000)**	(1,199,554,638)
Education	**(658,717,197)**	(1,369,103,902)
	(₱1,025,347,523)	(₱2,347,166,005)

Movements in the pre-need reserves follow:

Life Plan

	2023	2022
Balance at January 1	**₱3,292,160,474**	₱3,070,667,939
Net premium consideration	**225,880,659**	82,720,000
Liability released for payments of death, maturity and surrender benefits and claims	**(79,692,737)**	(85,085,889)
Accretion of investment income	**196,864,890**	179,771,273
Actuarial gains (gain/loss)- Decrements	**(76,790,976)**	(44,405,454)
Adjustment due to change in surrenders, lapses and interest rate assumptions	**221,838**	88,492,605
Balance at December 31	**₱3,558,644,148**	₱3,292,160,474

Pension Plan

	2023	2022
Balance at January 1	**₱6,646,203,081**	₱ 7,845,757,718
Net premium consideration	**147,735,603**	205,505,467
Liability released for payments of death, maturity and surrender benefits and claims	**(1,127,154,938)**	(1,845,353,911)
Accretion of investment income	**389,101,847**	462,332,705
Actuarial losses	**(30,693,722)**	(22,038,898)
Adjustment due to change in surrenders, lapses and interest rate assumptions	**(12,102,790)**	–
Balance at December 31	**₱6,013,089,081**	₱6,646,203,081

Education Plan

	2023	2022
Balance at January 1	**₱3,791,971,059**	5,161,074,962
Net premium consideration	**33,009,930**	31,316,091
Liability released for payments of death, maturity and surrender benefits and claims	**(1,155,593,828)**	(1,941,446,983)
Accretion of investment income	**219,340,812**	298,518,516
Actuarial gains	**134,448,134**	171,695,320
Adjustment due to change in surrenders, lapses and interest rate assumptions	**110,077,755**	70,813,153
Balance at December 31	**₱3,133,253,862**	₱3,791,971,059

17. **Other Reserves**

IPR included in the “Other reserves” account in the statement of financial position amounted to ₱183,299,552 and ₱203,152,258 as of December 31, 2023 and 2022, respectively.

	2023	2022
Life	**₱90,648,783**	₱88,966,584
Pension	**72,357,090**	83,483,542
Education	**20,293,679**	30,702,402
	₱183,299,552	₱203,152,528

The following table presents the breakdown of the increase/(decrease) in this account:

	2023	2022
Life	**₱1,682,199**	(₱4,592,839)
Pension	**(11,126,452)**	(10,943,312)
Education	**(10,408,723)**	(8,035,036)
	(₱19,852,976)	(₱23,571,187)

Movements in the other reserves follow:

Life Plan

	2023	2022
Balance at January 1	**₱88,966,584**	₱93,559,423
Premiums received	**1,898,466**	7,198,446
Liability released for payments of death, maturity and surrender benefits and claims	**(681,598)**	(894,326)
Liability releases for payments of fully paid plans	–	–
Accretion of investment income	**5,106,798**	5,092,900
Actuarial losses	**(4,641,467)**	(15,989,859)
Balance at December 31	**₱90,648,783**	₱88,966,584

Pension Plan

	2023	2022
Balance at January 1	**₱83,483,542**	₱94,426,854
Premiums received	**1,280,069**	2,227,952
Liability released for payments of death, maturity and surrender benefits and claims	**(2,923,316)**	(7,333,275)
Liability releases for payments of fully paid plans	–	–
Accretion of investment income	**4,308,309**	4,964,607
Actuarial losses	**(13,791,514)**	(10,802,596)
Balance at December 31	**₱72,357,090**	₱83,483,542

Education Plan

	2023	2022
Balance at January 1	**₱30,702,402**	₱38,737,438
Premiums received	**343,479**	711,765
Liability released for payments of death, maturity and surrender benefits and claims	**(1,465,743)**	(4,704,810)
Liability releases for payments of fully paid plans		125,538
Accretion of investment income	**1,318,615**	1,950,350
Actuarial gains (losses)	**(10,605,074)**	(6,117,879)
Balance at December 31	**₱20,293,679**	₱30,702,402

18. **Pension Asset (Liability)**

The Company has a defined benefit pension plan, covering substantially all of its employees, which requires contributions to be made to a separately administered fund. The plan is administered by a local trustee bank .

The following tables summarize the components of net retirement benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the plan:

Net pension asset (liability)

	2023	2022
Benefit obligation	**(₱114,938,691)**	(₱91,026,241)
Plan assets	**112,182,837**	106,291,703
Net pension asset (liability)	**(₱2,755,854)**	₱15,265,462

Net retirement benefit expense

	2023	2022
Current service cost	**₱4,962,388**	₱5,730,746
Interest cost - net	**(1,051,790)**	(667,713)
Net retirement benefit expense (Note 24)	**₱3,910,598**	₱5,063,033

Changes in net defined benefit obligation (DBO) of funded funds follow:

	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
January 1, 2023	**₱91,026,241**	**₱106,291,703**	**(₱15,265,462)**
Net Benefit Cost in Statement of Income			
Current service cost	**4,962,388**	**–**	**4,962,388**
Net interest cost	**6,271,708**	**7,323,498**	**(1,051,790)**
Benefits paid (other than settlement)	**(3,470,128)**	**(3,470,128)**	**–**
Sub-total	**7,763,968**	**3,853,370**	**3,910,598**

(Forward)

	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)		**₱1,801,164**	**(₱1,801,164)**
Actuarial changes arising from experience adjustments	**₱3,678,037**		**3,678,037**
Actuarial changes arising from changes in financial assumptions	**12,470,445**		**12,470,445**
Sub-total	**16,148,482**	**1,801,164**	**14,347,318**
Contributions		**236,600**	**(236,600)**
December 31, 2023	**₱114,938,691**	**₱112,182,837**	**₱2,755,854**

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
January 1, 2022	₱96,241,035	₱110,268,617	(₱14,027,582)
Net Benefit Cost in Statement of Income			
Current service cost	5,730,746	–	5,730,746
Net interest cost	4,581,073	5,248,786	(667,713)
Benefits paid (other than settlement)	(2,294,476)	(2,294,476)	–
Sub-total	8,017,343	2,954,310	5,063,033
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)		(7,374,648)	7,374,648
Actuarial changes arising from experience adjustments	439,697	–	439,697
Actuarial changes arising from changes in financial assumptions	(13,671,834)	–	(13,671,834)
Sub-total	(13,232,137)	(7,374,648)	(5,857,489)
Contributions	–	443,424	(443,424)
December 31, 2022	₱91,026,241	₱106,291,703	(₱15,265,462)

The actual return on plan assets amounted to ₱9,124,662 and (₱2,125,862) in 2023 and 2022, respectively.

The carrying value of the fund is as follows:

	2023	2022
Cash	**₱487**	₱316
Investments:		
Debt instruments	**88,432,784**	83,533,832
Equity instruments	**17,147,750**	17,408,032
Investment funds	**5,742,700**	4,592,455
Others	**987,190**	883,718
Trust fee and other payables	**(128,074)**	(126,650)
Net equity	**₱112,182,837**	₱106,291,703

Movements in 'Remeasurement gains (losses) on defined benefit plan' in OCI follow:

	2023	2022
Balance at beginning of year	**(₱12,845,074)**	(₱17,238,191)
Remeasurement gains (losses) on retirement plan in OCI:		
Return on plan assets (excluding amount included in net interest)	**1,801,164**	(7,374,648)
Due to experience adjustments	**(3,678,037)**	(439,697)
Due to changes in financial assumptions	**(12,470,446)**	13,671,834
Remeasurement gains (losses) during the year	**(14,347,319)**	5,857,489
Tax effect	**3,586,830**	(1,464,372)
Remeasurement gains (losses) during the year, net of tax	**(10,760,489)**	4,393,117
Balance at end of year, net of tax	**(₱23,605,563)**	(₱12,845,074)

The cost of defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

Discount rate used in computing for the present value of the obligation of the Company was 6.01% and 6.89% as of December 31, 2023 and 2022.

The principal assumptions used in determining pension benefit obligations for the defined benefit plan are shown below:

	2023	2022
Discount rates:	**6.01%**	6.89%
Rate of salary increase	**4.00%**	3.00%
Average years of service	**13.12%**	13.34%
Mortality rate	**1994 GAMT**	1994 GAMT

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, 2023 and 2022, assuming if all other assumptions were held constant:

	2023		2022	
	Change	**Amount**	Change	Amount
Discount rate				
a. Discount rate	**1%**	**(6,746,320)**	1%	(₱5,412,240)
b. Discount rate	**-1%**	**7,570,505**	-1%	6,055,872
Salary increase rate				
a. Salary increase	**1%**	**7,694,015**	1%	6,285,466
b. Salary increase	**-1%**	**(7,070,797)**	-1%	(5,753,865)
Attrition rates				
a. Attrition rate scale	**10%**	**649,566**	10%	121,078
b. Attrition rate scale	**-10%**	**(649,566)**	-10%	(121,078)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
1 year and less	**₱18,837,253**	₱16,260,704
More than 1 year to 5 years	**50,719,351**	39,132,179
More than 5 years to 10 years	**87,441,970**	67,636,297
More than 10 years to 15 years	**65,772,976**	63,872,787
More than 15 years to 20 years	**28,923,800**	30,873,387
More than 20 years	**17,067,672**	19,395,993
Total	**₱268,763,022**	₱237,171,347

The weighted average duration of the defined benefit obligation is equivalent to 11 years and 9 years in 2023 and 2022, respectively.

19. Equity

Capital stock
As of December 31, 2023 and 2022, the Company's authorized capital stock consists of 15,000,000 shares with a par value of ₱100 per share or ₱1,500,000,000. As mentioned in Note 3 to the financial statements, the SEC imposed the minimum paid-up capital of ₱100,000,000 for pre-need companies selling at least three (3) types of plan.

The outstanding and issued capital stock amounted to ₱700,000,000 as of December 31, 2023 and 2022 representing 7,000,000 shares at ₱100 par value per share.

Retained earnings
Restricted retained earnings include accumulated trust fund income net of any reversal of appropriations during the year. These are automatically restricted to payments of benefits of planholders and such other related payments as allowed in the Pre-need Rules (see Notes 10 and 20). The portion of retained earnings corresponding to the cumulative fair value gains of service assets - memorial lots and investment properties are not available for distribution as dividends until realized through sale.

The roll forward analysis showing the results of the Company's operations follows:

2023

	Restricted	**Unrestricted**	**Total**
Balance at January 1	**₱–**	**₱4,020,765,681**	**₱4,020,765,681**
Net income (loss)	**977,047,745**	**(1,245,575,962)**	**(268,528,217)**
Reversal of appropriations	**(977,047,745)**	**977,047,745**	**-**
Balance at December 31	**₱–**	**₱ 3,752,237,464**	**₱ 3,752,237,464**

2022

	Restricted	Unrestricted	Total
Balance at January 1	₱ –	₱4,086,723,272	₱4,086,723,272
Net loss	105,928,237	(171,885,828)	(65,957,591)
Reversal of appropriations	(105,928,237)	105,928,237	–
Balance at December 31	₱–	₱4,020,765,681	₱4,020,765,681

Capital management framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its planholders. The level of capital maintained is higher than the minimum capital requirements of the IC. The Company considers the entire equity in determining the capital.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on the surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels. The results of the financial plans and projections provide basis in the determination of capitalization changes and surplus distribution decisions.

The Company has fully complied with the externally imposed minimum capital requirement of 100,000,000 during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

20. **Trust Fund Income**

This account consists of:

	2023	2022
Interest income:		
Financial assets (Note 10)	**₱337,288,516**	₱ 370,218,776
Cash and cash equivalents (Note 10)	**18,471,876**	7,456,104
Gain (loss) on sale of financial assets (Note 10)		
Financial assets at OCI (Note 10)	**52,059,954**	(203,704,730)
Financial Assets through profit and loss (Note 10)	**(187,259,560)**	(130,980,112)
Fair value gain/(loss) on financial asset at FVTPL (Note 10)	**366,212,060**	(448,738,809)
Dividend income on listed equity financial assets (Note 10)	**113,713,016**	127,170,902
Unrealized foreign exchange gain (loss) on trust fund investments	**7,496,725**	43,798,204
Fair value gains (loss) on service assets (Note 10)	–	366,710,045
Rental income (Note 10)	**33,259,966**	32,452,697
Fair value gain on investment properties (Note 10)	**303,687,000**	–
Trust fees and other investment expenses	**(67,881,808)**	(58,454,840)
	₱977,047,745	₱105,928,237

Trust fees and other investment expenses pertain to the amount paid to the trustee banks as compensation for their services and other expenses and charges incurred in connection with the administration, preservation, maintenance and protection of the fund.

21. Interest and Other Income

This account consists of:

	2023	2022
Interest income on:		
Cash equivalents (Note 7)	**25,977,477**	10,243,093
Investment securities at FVTPL (Note 8)	**3,512,578**	4,631,041
Cash facility loans (Note 8)	**3,902,993**	1,659,682
Cash in banks (Note 7)	**3,446,415**	982,503
Insurance premium fund (Note 11)	**963**	15
Fair value changes on financial assets at FVTPL:		
Insurance premium fund (Note 11)	**10,536,121**	671,220
Not held in trust fund (Note 8)	**3,724,450**	(2,785,308)
Service fee and loading income	**10,105,561**	14,955,754
Income from shared services	**10,276,068**	12,331,954
Income from servicing	**9,852,105**	3,031,932
Fair value gain (loss) on investment property (Note 11)	**4,826,000**	1,222,000
Surcharge and amendment fees	**3,914,964**	8,483,931
Rental income		
Property and equipment (Note 29)	**1,713,868**	
Insurance premium fund (Note 29)	–	2,208,290
Gain on sale of property and equipment (Note 12)	**127,700**	317,856
Miscellaneous income	**9,615,687**	7,349,774
	₱101,532,951	₱65,303,737

Service fee relates to one time service charge to a new planholder to cover underwriting and processing of application while loading income is the imputed interest corresponding to different plan types and modes of payment other than annual mode.

Surcharge and amendment fees consist of charges for the plan administration services, surrenders and other contract fees.

Income from servicing pertains to the referral commissions of the Company from mortuaries.

Income from shared services is derived from legal, audit, and IT-related services.

Miscellaneous income consists mainly of processing and penalty fees from cash facility loans, income from promos, overages of cashiers.

22. Other Direct Costs and Expenses

This account consists of:

	2023	2022
Commissions	**₱89,423,803**	₱63,382,454
Insurance	**18,302,186**	22,313,797
	₱107,725,989	₱85,696,251

The commissions under other direct costs and expenses include basic commissions, productivity and regular agent's bonuses for the sales counselors and overriding commissions (ORC), producer's bonus and bonus ORC for the agency leaders including expenses for management and referral fees for all sold plans. This includes commission expense on the sale of memorial lots (Golden Haven).

Other related incentives for all performing agents and agency leaders hitting their sales goals are also given in form of short-term drives which include but not limited to Monthly Drives and long term drives such as the Globetrotters and Associates Learning Conference International (ALCI).

The Insurance expense pertains to the sold plans' insurance premium for the cost of level term, increasing term, or group year term, accidental death and dismemberment (AD & D) and total permanent disability (TPD).

23. General and Administrative Expenses

This account consists of:

	2023	2022
Employees’ compensation and benefits expense (Notes 18 and 24)	**₱115,070,574**	₱109,043,405
Professional fees	**61,623,959**	61,767,503
Electronic data processing	**24,226,020**	20,411,289
Provisions for (recovery of) credit losses (Note 6)	**14,335,087**	(36,508)
Depreciation and amortization (Notes 11 and 12)	**11,660,501**	10,088,034
Advertising and promotions	**10,089,028**	14,456,307
Repairs and maintenance	**8,173,775**	10,425,447
Postage, telephone and telegraph	**7,251,479**	6,760,988
Rent expense (Note 29)	**4,407,389**	12,054,317
Heat, light and water	**3,680,276**	4,498,636
Taxes and licenses	**3,428,926**	3,737,056
Training	**1,855,194**	3,273,644
Entertainment and representation	**1,537,890**	2,156,647
Transportation and travel	**1,339,658**	983,695
Stationery and office supplies	**790,977**	942,197
Miscellaneous	**9,455,806**	6,047,978
	₱278,926,539	₱266,610,635

Provisions for (recovery of) credit losses include allowance for expected credit losses recorded under 'Cash and cash equivalents and short term investments', 'Investments securities at amortized cost' and 'Loans and receivables'.

Miscellaneous consists mainly of insurance expense, service fees from collections, prizes and awards, bank service charges, deposit pick up fees, contributions and donations, and other miscellaneous losses.

Insurance expense pertains to the insurance coverage on condominium and various vehicles.

The service fees from collections are the fees or discount rate charged by the acquiring credit card companies from the payment made via credit card, ATM card, or auto charged transactions, service fees from premium collections by the companies under salary allotment and/or group businesses, and tie-up collecting agencies.

Prizes and awards are also given in recognition for the agents and leaders extra ordinary sales performance thereby qualifying or meeting the company's established contests and drive parameters which normally happens during the National Awards Convention (NAC).

24. Employees' Compensation and Benefits Expense

This account consists of:

	2023	2022
Compensation	**₱107,316,304**	₱100,803,442
Net retirement benefit expense (Note 18)	**3,910,598**	5,063,033
Social security costs	**3,843,672**	3,176,930
	₱115,070,574	₱109,043,405

25. Income Tax

Income tax includes the current tax at the rate of 25.00% and final taxes paid at the rate of 20.00% for peso deposits and 7.50% for foreign currency deposits which are final withholding taxes on gross interest income from deposit substitutes. These income taxes as well as the deferred tax provisions are presented as provision for income tax in the statement of income.

Provision for (benefit from) income tax consists of:

	2023	2022
Not held in trust funds		
Deferred (Notes 11 and 13)	**(₱23,936,501)**	₱81,360,105
Final	**6,307,205**	3,072,178
Held in trust funds		
Deferred	**(21,005,642)**	32,616,108
Final	**83,622,947**	98,695,000
	₱44,988,009	₱215,743,391

Final tax represents final taxes on interest income from investments in trust funds, insurance premium fund, short-term investments and cash and cash equivalents.

As of December 31, 2023 and 2022, the deferred tax liabilities amounting to ₱883,300,452 and ₱916,175,322, respectively, pertain to the tax effects of the increase in fair value of service assets - memorial lots and pension asset.

As of December 31, 2023 and 2022, the Company has unrecognized deferred tax assets pertaining to the following items as discussed in Note 6:

	2023	2022
NOLCO	**₱17,452,521,973**	₱15,154,575,559
Allowance for expected credit losses	**18,678,238**	4,396,286
Past service cost	**-**	47,501,853
Other accrued expenses	**17,565,426**	18,146,565
	₱17,488,765,637	₱15,224,620,263

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company assesses the unrecognized deferred tax assets and will recognize previously unrecognized deferred tax assets to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The NOLCO is available for offset against future taxable income for the next three (3) years, except for the NOLCO incurred for the year 2020 and 2021 which is available for offset against future taxable income for the next five (5) years pursuant to RA 11494 (Bayanihan to recover as ONE act).

As of December 31, 2023, the Company has NOLCO which can be claimed as deduction from future taxable income, as follows:

Year Incurred	**NOLCO**	**Applied**	**Expired**	**Balance**	**Expiration**	**Remarks**
2020	₱6,639,212,341	–	–	₱6,639,212,341	2025	Pursuant to RA 11494(Bayanihan to recover as ONE act)
2021	6,171,150,720	–	–	6,171,150,720	2026	
2022	2,344,212,498	–	–	2,344,212,498	2025	
2023	2,297,946,414	–	–	2,297,946,414	2026	
	₱17,452,521,973	₱–	₱–	₱17,452,521,973		

The reconciliation of the statutory income tax to effective income tax follows:

	2023	2022
Statutory income tax rate	**25%**	25%
Tax effects of:		
Trust fund income	**81.26**	69.99
Change in pre-need reserve and other reserves	**116.89**	(395.69)
Interest income subject to final tax	**13.97**	51.69
Non-deductible expenses	**2.57**	(0.27)
Impact of CREATE	**–**	–
Non-taxable income	**–**	–
Change in unrecognized deferred tax assets	**(259.82)**	393.31
Effective income tax rate	**(20.13%)**	144.03%

26. Management of Financial and Insurance Risks

Governance Framework

The primary objective of the Company's financial risk management framework is to protect it from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

The Company has established risk management functions with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed.

Lastly, a Company policy framework which sets out the risk appetite of the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company's risk management policies and meets at least quarterly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Regulatory Framework
The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., pre-need funds are managed by trustee banks and nature of investments that the trust funds can be invested in).

Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the timing of the claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid being greater than originally estimated.

The Company principally writes life plans where memorial services are provided upon the death of the policyholder. The Company has developed an underwriting policy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

In addition, the Company has a Group Insurance Agreement with its insurance provider in order to pass on insurance risks, the extent of which depends on the benefit features of the memorial life products.

Financial Instruments

Due to the short-term nature of cash and cash equivalents, loans and receivables, accrued income and accrued expenses and other liabilities, their carrying values reasonably approximate fair values at year-end. As of December 31, 2023 and 2022, the carrying value and fair value of financial instruments amounted to ₱766,874,716 and ₱936,017,451, respectively.

The fair value of financial instruments classified as financial assets at FVOCI that are actively traded in organized exchange or active markets is determined by reference to quoted market or broker bid prices, at the close of business on the reporting date. For units in open-ended investment companies and mutual funds, fair value is by reference to published net asset value per share.
Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The table below shows the fair value of the Company's financial and nonfinancial assets as of December 31:

	2023	2022
Level 1		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL	**₱3,024,081,088**	₱3,101,415,946
Financial assets at FVOCI	**6,517,341,002**	5,879,575,783
Held under insurance premium fund		
Financial assets at FVTPL	**43,407,874**	44,715,055
	₱9,584,829,964	₱9,025,706,784
Level 2		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL	**₱1,143,766,028**	₱1,122,357,038
Financial assets at FVOCI	**841,969,338**	840,816,103
Not held in trust funds		
Financial assets at FVTPL	**130,391,482**	106,667,032
Investment securities at amortized cost	**–**	–
Held under insurance premium fund		
Financial assets at amortized cost	**54,965,041**	54,915,955
	₱2,171,091,889	₱2,124,756,128
Level 3		
Service assets		
Held in trust funds (Notes 6 and 10)	**₱4,334,063,483**	₱4,690,142,656
Not held in trust funds (Notes 6 and 13)	**4,497,650,718**	4,663,747,394
Investment Properties		
Held in trust funds (Notes 6 and 10)	**1,329,216,000**	1,025,529,000
Held under insurance premium fund (Notes 6 and 11)	**46,677,000**	41,851,000
	₱10,207,607,201	₱10,421,270,050

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, and pre-need liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its pre-need contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

To mitigate these risks and to assure the planholders of the adequacy of the funds to meet maturing obligations, the pre-need trust funds are managed by trustee banks, as required by the IC. Investing activities of trustee banks are guided by the investment regulations of the IC. On a regular basis, the trustee banks report their fund performance and recommended investment strategies to the Investment Committee. The Investment Committee approves investment strategies that are consistent with the internal guidelines and policies of the Company.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties and industry segments, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company, through its trustee banks, secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers.

The trustee banks employ a credit review process to assess credit quality and to establish exposure limits to avoid over-concentration of credits. These are presented to the Investment Committee and provide the trustee banks the investment parameters.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivables from them to reduce the risk of doubtful debts. Likewise, deductions from agents' commissions and bonuses and other cash incentives are made to establish bond reserves. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the plan contract on the expiry of which the plan is either paid up or terminated.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position before considering gross effects of collateral or other credit enhancements except for Cash Facility Loan wherein the Plan Termination Value of collateralized plan is sufficient or more than enough to pay the loan when the loan was approved including the entire interest for the paying period which is already deducted upon payment of the loan proceeds.

Assets Not Held in Trust Funds

	2023	2022
Cash and cash equivalents (excluding cash on hand)	**₱496,044,604**	₱717,811,531
Loans and Receivables:		
Cash facility loans	**58,083,076**	31,014,182
Due from related parties	**30,335,393**	28,979,314
Receivable from credit card companies	**15,592,223**	18,375,757
Receivable from trustee bank	**19,232,498**	12,587,546
Advances to officers and employees	**3,093,446**	5,266,987
Advances to agents and others	**3,473,115**	4,108,451
Advances to suppliers		1,834,812
Interest receivable (included under 'Prepayments and accrued income')	**3,163,043**	1,819,554
Other receivables	**6,873,962**	6,684,376
Financial Assets:		
Financial assets at FVTPL	**130,391,482**	106,667,032
Other assets:		
Deposits (included under 'Prepayments and accrued income')	**1,100,559**	852,909
	₱767,383,401	₱936,002,451

Assets Held in Trust Funds

	2023	2022
Cash and cash equivalents	**₱431,298,860**	₱1,028,671,730
Loans and Receivables:		
Receivables	**1,556,579,145**	1,829,151,247
Accrued income	**107,352,505**	276,652,897
Financial Assets:		
Financial assets at FVTPL	**4,167,847,115**	4,223,772,984
Financial assets at FVOCI	**7,359,310,340**	6,720,391,886
	₱13,622,387,965	₱14,078,640,744

Assets under Insurance Premium Fund

	2023	2022
Cash in banks	**₱2,745,045**	₱19,062
Financial Assets:		
Financial assets at FVTPL	**43,407,874**	44,715,055
Financial assets at amortized cost	**54,965,041**	54,915,955
	₱101,117,960	₱99,650,072

For cash facility loans, the termination value of the plan as of loan date may be applied against the outstanding loan balance as payment for the entire loan, inclusive of interest, penalty and other additional charges without need of prior demands.

Credit quality

As of December 31, 2023 and 2022, the financial assets are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date. The Company only invests in high grade financial assets.

In coordination with the Company's trustee banks, the Company determines the credit quality of its investments using the credit rating of the IC, as well as the ratings provided by private credit rating agencies.

The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating												
Investment Grade (High grade)	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3
Non-Investment Grade (Standard grade)	B1	B2	B3	Caa1	Caa2	Caa3	Ca1	Ca2	Ca3	C1	C2	C3	
Impaired (Substandard grade)	D												

The Company classifies its credit risk exposure as investment grade and non-investment grade. The Company uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade	Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.
Non-investment grade	Rating given to borrowers and counterparties who possess above average capacity to meet its obligations.

The tables below provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

Assets Not Held in Trust Funds

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱616,689,437**	**₱–**	**₱–**	**₱616,689,437**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	**19,201,923**	**19,201,923**
	616,689,437	**–**	**19,201,923**	**635,891,360**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**130,391,482**	–	–	**130,391,482**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	130,391,482	–	–	**130,391,482**
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**–**	–	–	**–**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	**–**
	₱747,080,919	**₱–**	**19,201,923**	**₱766,282,842**

**Includes cash and cash equivalents, other receivables, refundable deposits and interest receivable*

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱823,074,960	₱–	₱–	₱823,074,960
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	4,396,286	4,396,286
	823,074,960	–	4,396,286	827,471,246
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	106,667,032	–	–	106,667,032
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	106,667,032	–	–	106,667,032
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	–	–	–	–
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	–
	₱929,741,992	₱–	₱4,396,286	₱934,138,278

Assets Held in Trust Funds

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱2,095,230,510**	**₱–**	**₱–**	**₱2,095,230,510**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	₱2,095,230,510	–	–	**₱2,095,230,510**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**4,167,847,115**	–	–	**4,167,847,115**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	4,167,847,115	–	–	**4,167,847,115**
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	**7,359,310,340**	–	–	**7,359,310,340**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	7,359,310,340	–	–	**7,359,310,340**
	₱13,622,387,965	**₱–**	**₱–**	**₱13,622,387,965**

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱3,134,475,874	₱–	₱–	₱3,134,475,874
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	3,134,475,874	–	–	3,134,475,874
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	4,223,772,984	–	–	4,223,772,984
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	4,223,772,984	–	–	4,223,772,984

(Forward)

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	₱6,720,391,886	₱–	₱–	₱6,720,391,886
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	6,720,391,886	–	–	6,720,391,886
	₱14,078,640,744	₱–	₱–	₱14,078,640,744

**Includes cash and cash equivalents and accrued income.*

Assets Held under Insurance Premium Fund

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	**₱2,745,045**	**₱–**	**₱–**	**₱2,745,045**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	₱2,745,045	**–**	**–**	**₱2,745,045**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**43,407,874**	**–**	**–**	**43,407,874**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	43,407,874	**–**	**–**	**43,407,874**
Financial assets at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**54,965,041**	**–**	**–**	**54,965,041**
Investment - Medium Grade	**–**	**–**	**–**	**–**
Non-investment Grade	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
	54,965,041	**–**	**–**	**54,965,041**
	₱101,117,960	**₱–**	**₱–**	**₱101,117,960**

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	₱19,062	₱–	₱–	₱19,062
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	19,062	–	–	19,062
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	44,715,055	–	–	44,715,055
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	44,715,055	–	–	44,715,055
Financial assets at amortized cost				
Neither past due nor impaired				
Investment - High Grade	54,915,955	–	–	54,915,955
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	54,915,955	–	–	54,915,955
	₱99,650,072	₱–	₱–	₱99,650,072

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the top management. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets and liabilities, in order to ensure sufficient funding available to meet pre-need obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet claims and surrenders.

Cash and cash equivalents, short-term investments, financial assets at FVTPL and financial assets at FVOCI are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. Financial assets at FVOCI could be sold when needed in order to meet the Company's short-term liquidity needs.

Maturity Profiles
The tables below summarize the maturity profile of the financial assets and liabilities of the Company based on remaining obligations where maturity profiles are determined on the contractual maturities or estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

2023	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets Not Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents*	**₱496,044,604**	**₱–**	**₱–**	**₱–**	**₱–**	**₱496,044,604**
Cash facility loans	**58,083,076**	–	–	–	–	**58,083,076**
Due from related parties	**30,335,393**	–	–	–	–	**30,335,393**
Receivable from credit card companies	**15,592,223**	–	–	–	–	**15,592,223**
Receivable from trustee bank	**19,232,498**	–	–	–	–	**19,232,498**
Advances to officers and employees	**3,093,446**		–	–	–	**3,093,446**
Advances to agents and others	**3,473,115**	-	–	–	–	**3,473,115**
Interest receivable (included under Prepayments and accrued income')	**3,163,043**	–	–	–	–	**3,163,043**
Advances to suppliers		–	–	–	–	
Other receivables	**6,873,962**	–	–	–	–	**6,873,962**
Financial assets:						
Financial assets at FVTPL	**130,391,482**	–	–	–	–	**130,391,482**
Deposits (included under 'Prepayments and accrued income')	**1,100,559**	–	–	–	–	**1,100,559**
	₱767,383,401	**₱**	**₱–**	**₱–**	**₱–**	**₱767,383,401**
Assets Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents	**₱431,298,860**	**₱–**	**₱–**	**₱–**	**₱–**	**₱431,298,860**
Receivable	**1,556,579,145**	–	–	–	–	**1,556,579,145**
Accrued income	**107,352,505**	–	–	–	–	**107,352,505**
Financial assets						
Financial assets at FVTPL	**4,167,847,115**	–	–	–	–	**4,167,847,115**
Financial assets at FVOCI	**385,231,625**	**398,860,197**	**1,424,456,600**	**5,150,761,918**	–	**7,359,310,340**
	₱6,648,309,250	**₱398,860,197**	**₱1,424,456,600**	**₱5,150,761,918**	**₱–**	**₱13,622,387,965**

(Forward)

2023

	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets under Insurance Premium Fund						
Loans and receivables:						
Cash in banks	**₱2,745,045**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,745,045**
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	**43,407,874**	–	–	–	–	**43,407,874**
Financial assets at amortized cost	**54,965,041**		–	–	–	**54,965,041**
	₱101,117,960	**₱**	**₱–**	**₱–**	**₱–**	**₱101,117,960**
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	**₱4,571,883,857**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,571,883,857**
Accounts payable, payors' deposits and others	**502,391,385**	–	–	–	–	**502,391,385**
Contract liabilities	**286,780,844**	–	–	–	–	**286,780,844**
Counselors' bond reserves	**25,165,140**	–	–	–	–	**25,165,140**
Accrued expenses	**18,113,258**	–	–	–	–	**18,113,258**
Due to related parties	**4,747,844**	–	–	–	–	**4,747,844**
Deposits on cash facility loans	**5,440,620**	–	–	–	–	**5,440,620**
Due to insurer		–	–	–	–	
	₱5,414,522,948	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,414,522,948**
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	**₱275,762,897**	**₱–**	**₱–**	**₱–**	**₱**	**₱275,762,897**
Liabilities under Insurance Premium Fund		–	–	–	–	
Accrued expenses and other liabilities	**₱11,500**	**₱–**	**₱–**	**₱–**	**₱**	**₱11,500**

2022

	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets Not Held in Trust Funds						
Cash and cash equivalents*	₱717,826,531	₱–	₱–	₱–	₱–	₱717,826,531
Loans and receivables:						
Cash facility loans	31,014,182	–	–	–	–	31,014,182
Due from related parties	28,979,314	–	–	–	–	28,979,314
Receivable from credit card companies	18,375,757	–	–	–	–	18,375,757
Receivable from trustee bank	12,587,546	–	–	–	–	12,587,546
Advances to officers and employees	2,471,357	2,795,629	–	–	–	5,266,986
Advances to agents and others	4,108,451		–	–	–	4,108,451
Interest receivable (included under Prepayments and accrued income')	1,819,554	–	–	–	–	1,819,554
Advances to suppliers	1,834,813	–	–	–	–	1,834,813
Other receivables	6,684,376	–	–	–	–	6,684,376
Financial assets:						
Financial assets at FVTPL	106,667,032	–	–	–	–	106,667,032
	₱ 932,368,913	₱ 2,795,629	₱–	₱–	₱–	₱935,164,542
Assets Held in Trust Funds						
Cash and cash equivalents	₱1,028,671,731	₱–	₱–	₱–	₱–	₱1,028,671,731
Loans and receivables:						
Receivable	1,829,151,247	–	–	–	–	1,829,151,247
Accrued income	276,652,897	–	–	–	–	276,652,897
Financial assets						
Financial assets at FVTPL	4,223,772,984	–	–	–	–	4,223,772,984
Financial assets at FVOCI	326,742,394	1,517,508,098	2,062,534,250	2,813,607,144	–	6,720,391,886
	₱7,684,991,255	₱1,517,508,098	₱2,062,534,250	₱2,813,607,144	₱–	₱14,078,640,744
Assets under Insurance Premium Fund						
Cash in banks	₱19,062	₱–	₱–	₱–	₱–	₱19,062
Loans and receivables:						
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	44,715,055	–	–	–	–	44,715,055
Financial assets at amortized cost	–	54,915,955	–	–	–	54,915,955
	₱44,734,117	₱54,915,955	₱–	₱–	₱–	₱99,650,072

(Forward)

	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	₱4,293,954,558	₱–	₱–	₱–	₱–	₱4,293,954,558
Accounts payable, payors' deposits and others	533,209,934	–	–	–	–	533,209,934
Contract liabilities	414,560,281	–	–	–	–	414,560,281
Counselors' bond reserves	25,108,232	–	–	–	–	25,108,232
Accrued expenses	18,178,954	–	–	–	–	18,178,954
Due to related parties	5,853,482	–	–	–	–	5,853,482
Deposits on cash facility loans	5,600,674	–	–	–	–	5,600,674
Due to insurer	1,340,792	–	–	–	–	1,340,792
	₱5,297,806,907	₱–	₱–	₱–	₱–	₱5,297,806,907
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	₱149,576,100	₱–	₱–	₱–	₱–	₱149,576,100
Liabilities under Insurance Premium Fund	10,120	–	–	–	–	10,120
Accrued expenses and other liabilities	₱149,586,220	₱–	₱–	₱–	₱–	₱149,586,220

**Includes future interest*

The following table shows the maturity profile of PNR and IPR based on the estimated timing of the net cash outflows using the recognized liability amounts:

2023

	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
PNR	**₱1,237,671,800**	**₱1,948,327,706**	**₱1,264,115,069**	**₱8,254,872,516**	**₱12,704,987,091**
IPR	**1,540,282**	**7,587,455**	**8,387,105**	**165,784,710**	**183,299,552**
	₱1,239,212,081	**₱1,955,915,162**	**₱1,272,502,174**	**₱8,420,657,226**	**₱12,888,286,643**

2022

	Up to a year	1-3 years	3-5 years	Over 5 years	Total
PNR	₱1,130,249,871	₱2,138,255,666	₱2,140,875,868	₱8,320,953,209	₱13,730,334,614
IPR	1,806,323	9,386,995	16,713,997	175,245,213	203,152,528
	₱1,132,056,194	₱2,147,642,661	₱2,157,589,865	₱8,496,198,422	₱13,933,487,142

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Company's exposure to market risk:

- The trustee banks take positions in debt and other fixed income securities. The trustee banks' risk management activities are aimed at optimizing interest income, managing duration and portfolio diversification across various tenors. The trustee banks monitor portfolio positions and facilitate strategy formulation.
- A market risk policy setting out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to top management. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Asset allocation and portfolio limit structure to ensure that assets back specific planholders liabilities and those assets are held to deliver income and gains for planholders which are in line with expectations of the planholders.
- Stipulated diversification benchmarks by type of instrument.

Cash and cash equivalents, short-term investments and AFS equity securities are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. AFS equity securities could be sold when needed in order to meet the Company's short-term liquidity needs.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine Pesos and its exposure to foreign exchange risk arises primarily with respect to the United States Dollar.

The Company's financial assets are denominated in the same currencies as its liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign currency exchange rate risk arises from recognized assets and liabilities denominated in currencies other than those in which liabilities are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange rate risk as of December 31:

	2023		2022	
	USD	**PHP**	USD	PHP
Assets				
Cash and cash equivalents	**$1,779,177**	**₱98,863,522**	$1,111,299	₱61,960,470
Financial assets	**4,770,993**	**265,109,761**	4,636,472	258,506,481
	$6,550,170	**₱363,973,283**	$5,747,771	₱320,466,951

The exchange rates used to restate the Company's US Dollar-denominated assets and liabilities as of December 31, 2023 and 2022 follow:

	2023	2022
US Dollar - Philippine Peso exchange rate	**P55.567 to US$1.00**	P **55.755** to US$1.00

The analysis below is performed for the effect of a reasonably possible movement of the currency rate against the Philippine Peso with all other variables held constant, on profit or loss. There is no other impact on the Company's other comprehensive income other than those already affecting profit or loss.

2023

Change in Exchange Rates	**Impact on Income Before Income Tax Increase (decrease)**
5.06%	**₱18,423,738**
-5.06%	**(18,423,738)**

2022

Change in Exchange Rates	Impact on Income Before Income Tax Increase (decrease)
3.45%	₱12,866,878
-3.45%	(12,866,878)

The Company determined the reasonably possible change in foreign currency using the three (3) years volatility of the USD to PHP.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in

The following table shows the information relating to the financial assets that are exposed to interest rate risk and presented by maturity profile:

2023

	Range of Interest Rates	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Cash and cash equivalents:						
Held under insurance premium fund	**0%-0.25%**	**₱2,745,045**	**₱–**	**₱–**	**₱–**	**₱2,745,045**
Held in trust funds	**0.25%-2.50%**					
Cash and cash equivalents	**1.75 %-2.50%**	**431,298,860**	**–**	**–**	**–**	**431,298,860**
Not held in trust funds:						
Cash and cash equivalents	**1.75%-2.50%**	**496,044,604**	**–**	**–**	**–**	**496,044,604**
Loans and receivables:						
Not held in trust funds						
Cash facility loan	**15.00%**	**58,083,076**	**–**	**–**	**–**	**58,083,076**
Financial asset- debt securities:						
Held in trust funds	**1.63%-11.25%**	**385,231,625**	**398,860,197**	**1,424,456,600**	**5,150,761,918**	**7,359,310,340**
Held under insurance premium fund	**6.73%**		**54,965,041**		**–**	**54,965,041**
		₱1,373,403,210	**₱453,825,238**	**₱1,424,456,600**	**5,150,761,918**	**₱8,402,446,966**

2022

	Range of Interest Rates	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Cash and cash equivalents:						
Held under insurance premium fund	0.%-0.25%	₱19,062	₱–	₱–	₱–	₱19,062
Held in trust funds	0.25%-2.50%	1,028,671,730				1,028,671,730
Cash and cash equivalents	1.75%-2.50%		–	–	–	-
Not held in trust funds:						
Cash and cash equivalents	1.75%-2.50%	717,826,531	–	–	–	717,826,531
Loans and receivables:						
Not held in trust funds:						
Cash facility loan	15.00%	31,014,182	–	–	–	31,014,182
Financial asset- debt securities:						
Held in trust funds	1.63%-11.25%	326,742,394	1,517,508,098	2,062,534,250	2,813,607,144	6,720,391,886
Not held in trust funds	6.73%	–	54,915,955	–	-	54,915,955
		₱2,104,273,899	₱1,572,424,053	₱2,062,534,250	₱2,813,607,144	₱8,552,839,346

The analysis below is performed for reasonably possible movement of the interest rates (due to changes in fair value of financial assets at FVOCI) with all other variables held constant, showing the impact on equity.

2023

Change in Yield Rate	**Impact on Equity Increase (Decrease)**
+1%	**₱(290,452,987)**
-1%	**1,085,849,377**

2022

Change in Yield Rate	Impact on Equity Increase (Decrease)
+1%	₱264,587,015
-1%	(280,694,349)

Price risk
The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market.

Based on the sensitivity of the financial assets to movements in the benchmark index and portfolio risk index, +/-3.27% change in December 31, 2023 and +/-5.56% change in December 31, 2022` to the index may result in an increase or decrease in equity by ₱118,508,324 and ₱200,897,495 in 2023 and in 2022, respectively.

The Company determined the reasonably possible change in PSE index using the specific adjusted beta for each equity security for three (3) years.

27. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Company, in its regular conduct of business, has transactions with its related parties consisting primarily of noninterest-bearing advances.

Details of related party transactions follow:

2023

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	**(₱24,000,000)**	**₱1,940,000**	**Payable on or before the 10th day of the following month; non-interest bearing**	**Unsecured; unimpaired**
STI	**(330,000)**	**-**	**non-interest bearing**	**Unsecured; unimpaired**
Entities under common control:				
Rosehills Memorial Management Phils, Inc.				
Commission and referral fees on the sale of memorial lots and pre-need plans	**(53,917,097)**	**(1,600,078)**	**Payable within 30 days Non-interest bearing**	**Unsecured; unimpaired**
Admin fee for Mortuary Services	**1,216,193**	**1,216,193**		

(Forward)

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Philhealthcare, Inc. (Philcare)				
Shared Services	₱3,836,164	₱–	30 days; non-interest bearing	Unsecured; unimpaired
Shared services & others	(2,824,542)	(1,407,667)	30 days; non-interest bearing	Unsecured; unimpaired
Advances made for PLDT leased lines, condominium dues	1,451,142	1,451,142	30 days; non-interest bearing	Unsecured; unimpaired
Payment of healthcard for employees & qualified agents	(6,100,132)	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Rental Expense	(3,650,452)	–		
PhilFirst Insurance				
Advances made for rent and utilities	–	271,011	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	419,751	-	30 days upon receipt of billing	Unsecured; unimpaired
Non life insurance	(971,541)	(21,605)	Non-interest bearing	Unsecured; unimpaired
PhilLife				
Purchases of life insurance – planholders	(41,720,654)	(3,318,572)	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Purchase of Group Insurance for employees	(411,507)	-	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Experience Refund	24,575,632	24,575,632	30 days uponreceipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	3,249,265	-		Unsecured; unimpaired
Comm & Sense				
Rent, utilities & condo dues	1,718,276	1,526,727	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Advertising and other communication cost	(2,776,862)	-	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
PhisFirst Condo	(6,023,710)	-		

2022

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	(₱24,000,000)	₱–	Payable on or before the 10th day of the following month; non-interest bearing	Unsecured; unimpaired
Entities under common control:				
RMMI				
Sale of Pre-need pension plans	13,962,496	–		Unsecured; unimpaired
Management Fees	(987,878)	(123,650)	Payable on or before 5th of the following mo. Non-interest bearing	Unsecured; unimpaired
Income from shared services		-	Payable on or before 5th of the following mo. Non- interest bearing	Unsecured; unimpaired
Commission on the sale of memorial lots	(54,090,152)	(667,532)	Non-interest bearing	Unsecured; unimpaired
STI Holdings Services	–	–	Payable on or before 5th of the following mo. Non-interest bearing	Unsecured; unimpaired
Philhealthcare, Inc. (Philcare)				
Collections arrangement, legal share and rent income	4,886,066	–	30 days; non-interest bearing	Unsecured; unimpaired
Charges to PLDT and IT	(1,334,667)	(1,334,667)	30 days; non-interest bearing	Unsecured; unimpaired
Advances made for PLDT leased lines, condominium dues	17,199,770	-	30 days; non-interest bearing	Unsecured; unimpaired
Payment of healthcard for employees	(6,220,633)	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Rental Deposit/Rent Expense	(11,937,713)	5,519,420		Unsecured; unimpaired
PhilFirst Insurance				
Collections arrangement	–	-	Due and demandable, non-interest bearing	Unsecured; unimpaired
Advances made for rent and utilities	–	–	30 days upon receipt of billing/non interest bearing	Unsecured; unimpaired
Legal share	370,755	271,011	30 days upon receipt of billing	Unsecured; unimpaired
Insurance	(700,000)	(94,680)	non-interest bearing	Unsecured; unimpaired
PhilLife				
Purchases of life insurance – planholders	(41,445,859)	(3,632,953)	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Collection/remittance	–	–		Unsecured; unimpaired

(Forward)

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Purchase of Group Insurance for employees	(₱320,000)	₱–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Advances made for rent and utilities	–	19,214	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Experience Refund	19,132,062	19,132,062	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Legal share	1,965,247	–		Unsecured; unimpaired
Comm & Sense				
Rent & Condo dues	3,135,765	4,037,607	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured, interest free (except as otherwise indicated) and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2023 and 2022.

This assessment is undertaken at each financial year through a review of the financial position of the related party and the market in which the related party operates.

Remunerations of Key Management
Key management personnel of the Company include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱28,895,747 and ₱30,837,321 in 2023 and 2022, respectively.

28. Compliance with PNUCA

As provided by the rules and regulations of PNUCA, the following information is disclosed:

	2023	2022
Total premium collections	**₱682,212,454**	₱809,760,510
Number of lapsed plans	**429**	503
Number of lapsed plans reinstated	**54**	147
Contract price of lapsed plans	**68,490,254**	78,107,960
Contract price of lapsed plans reinstated	**8,746,736**	25,707,482

29. Leases and Commitments

Operating lease commitments - Company as Lessee

The Company entered into various non-cancelable lease agreements covering its Branch offices in various locations with terms of between one (1) and (5) years.

Some leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

Rent expenses charge against current operations (included in ‘General and Administrative’ expenses in the statements of income) amounted to ₱4,407,389 and ₱ 12,054,317 in 2023 and 2022, respectively. Rent expense in 2023 and 2022 pertain to expenses from short-term lease and leases of low value assets.

Operating lease commitments – Company as a lessor
The Company has entered into operating leases on its investment property to its affiliates and third party. Income from these leases is included in the “Interest and other income” account in the statement of income.

In 2023, rent income under property and equipment in the corporate books amounted to ₱1,713,868. In 2022, rent income under property and equipment in the insurance premium fund amounted to ₱2,208,290 (Note 21).

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2023 and 2022 follows:

	2023	2022
Within one (1) year	**₱0**	₱1,500,081
More than one (1) year	**0**	5,022,547
	₱-	₱6,522,628

In 2023, the amount is nil due to non-renewal of contract of lease.

30. **Contingencies**

Tax assessments for taxable year 2009
Last December 6, 2013, the Company received a Preliminary Assessment Notice (PAN) from the BIR dated November 29, 2013 covering calendar year 2009 for alleged deficiency VAT, income withholding taxes and documentary stamp taxes totaling ₱425,032,469 (inclusive of interest and penalties as of December 31, 2013).

The Company protested the assessment and submitted its reply to the BIR on December 19, 2013. On December 26, 2013, however, the Company received a Formal Letter of Demand from the BIR on the alleged deficiency taxes of taxable year 2009 with the same amount assessed as indicated in the PAN.

On January 24, 2015, the Company, through its legal counsel, filed a protest letter on the findings noted by the BIR and requested a reconsideration of such findings.

On June 29, 2016, the Company received a Final Decision on the Disputed Assessment (FDDA) from the BIR in response to the Company’s protest letter dated January 24, 2015 in relation to the Company’s tax assessment for taxable year 2009. Based on the FDDA, the amount of tax assessment was reduced from ₱425,032,469 to ₱416,578,540.

On July 29, 2016, the Company filed a petition for Review with the Court of tax Appeals (CTA) to reverse and set aside the FDDA of the Commissioner of Internal Revenue (CIR) finding the Company liable for deficiency taxes as shown above.

On November 10, 2016, the Company received the CIR's response on the protest letter dated November 3, 2016 in which the Company immediately responded with a reply on November 21, 2016 and filed the judicial affidavits on February 10, 2017. Likewise, the Company has filed the Pre-Trial Brief on February 13, 2017.

A Petition for Review against the alleged deficiency taxes on the disputed assessment has already been submitted to the CTA by the independent CPA last September 11, 2017. Based on the said Petition, the recomputed deficiency taxes, inclusive of penalties, are as follows:

Tax type	Amount
Income tax	₱16,230,341
Value added tax (VAT)	2,446,956
Documentary stamp tax (DST)	251,241
Total	₱18,928,538

Based on the letter provided by the Company's external legal counsel last March 2, 2018, the latter believes that there is a strong legal argument in favor of the Company considering:

- The assessment was issued beyond 3-year prescriptive period, and there was no valid waiver considering certain defects in its execution;
- The BIR did not conduct a fair audit, and did not consider the Company's explanations in the administrative investigation, constituting a violation of the Company's right to administrative due process; and
- Trust fund contributions of the Company are not subject to VAT as established by legislative history on the 'gross receipts' of pre-need companies and supported by jurisprudence. In particular, the Supreme Court in the 2017 case of Medicard Philippines, Inc. vs. Commisioner of Internal Revenue has recognized that money held in trust are not taxable receipts of the taxpayer but earmarked by law for a specific purpose.

On March 6, 2019, the BIR presented a Revenue Officer as its only witness before the CTA. Based on the update provided by the Company's external legal counsel, the following points were established during the hearing:

- There are recent CTA cases which declare that procedural due process is not satisfied with the mere issuance of PAN without giving the taxpayer an opportunity to respond thereto. If the BIR does not wait for a taxpayer to reply to the PAN nor consider the argument raised therein, the right to due process of the taxpayer is violated.
- The BIR's witness tried to explain to the Court that in any case, Philplans was given the opportunity to contest the FLD. However, there are also CTA decisions which state that the fatal infirmity that attended the issuance of the FLD prior to the lapse of the period to respond to the PAN is not cured thereby.
- The Revenue Officer was also not mentioned in the Letter of Authority ('LOA') to audit Philplans. This is in violation of Section 6 of the Tax Code which provides that every revenue officer must have authority arising from a valid LOA before it conducts the audit of a taxpayer. The Supreme Court has already declared that assessments done by revenue officers without a valid LOA are null and void.

The Company's external legal counsel believes that the above may serve as additional arguments to the Company's Petition for the cancellation of the Final Decision on Disputed Assessment.

On June 17, 2020, the CTA Second Division ruled in favor of the Company and cancelled the FDDA due to failure of the BIR to comply with procedural due process. Specifically, the CTA found that the audit was conducted by a BIR personnel not authorized in the letter of Authority. Thus, the CTA Second Division cancelled the deficiency Income Tax, VAT and DST assessment for calendar year 2009 amounting to ₱416,578,540.

Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2021.

On September 1 and September 11, 2020, respectively, BIR's Motion for Reconsideration (MR) and Court of Tax Appeal's (CTA) ordered Philplans to comment on BIR's MR on 21 September 2020. The issues in BIR's MR are purely legal, 1. Whether the defense of lack of LOA can be used, even if it was not raised in the Petition for Review; and 2. Whether Revenue Officer can be deemed without authority to conduct the audit because he was not identified in the LOA, but acted pursuant to a Memorandum of Assignment.

The primary argument of the BIR in its appeal to the CTA En Banc (EB) is that CTA Division ruled in favor of Philplans on the basis that BIR had no Letter of Authority. The BIR is saying the CTA Division cannot rule on the issue of its lack of authority, since Philplans never raised the same in its Petition. Philplans replied as follows:

1. It is established jurisprudence that the court may rule on issues even if not raised by the parties, especially where the factual basis is established in court;
2. Philplans established thru court records that BIR has no authority; and
3. Philplans filed its case in 2016, whereas the CTA based its decision on a 2017 Supreme Court case. Philplans could not have really raised the 2017 case in its 2016 Petition; thus/but the CTA is not prevented from relying on a later doctrine.

The CTA EB Resolution set the referred case for mediation on February 22, 2021. The mediation proceedings give the BIR and the taxpayer the opportunity to discuss possible settlement of the case. This is consistent with the Tax Code, which allows for compromise at 40% of the basic tax, on the ground of doubtful validity of the assessment.

In the case of Philplans, the basic deficiency assessment and the possible compromise/ settlement amount acceptable to the BIR is as follows:

	Basic Deficiency Assessment	40% Compromise
Income Tax	₱70,007,854	₱28,003,142
VAT	128,693,503	51,477,401
DST	114,874	45,950
Total	₱198,816,231	₱79,526,493

To note, the CTA Division decided in favor of Philplans and cancelled the assessment because of absence of the Letter of Authority (LOA) in favor of the BIR officers who conducted the audit. Jurisprudence has been consistent on the requirement of a valid LOA for there to be a valid assessment.

During the mediation hearing on February 22, 2021, the mediator asked the parties (*i.e.,* BIR and Philplans) if they are willing to enter into a compromise. The management of Philplans proceeded with the case and did not enter into a compromise/settlement with the BIR.

On November 09, 2021, the CTA En Banc, rendered its decision affirming the CTA Second Division's Decision in favor of the Company. Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2022.

On February 21, 2022, the BIR filed a motion for reconsideration regarding the decision dated November 9, 2021, and was denied for lack of merit dated March 29, 2022.

On April 24, 2023, the Company received a court decision from the Supreme Court that the Petition for review on Certiorari filed by the Commissioner of Internal Revenue is denied. The decision, dated November 9, 2021, and the resolution, dated March 29, 2022, of the Court of Tax Appeals En Banc in Case No. CTA EB No. 2351 are affirmed.

31. Current and Non-current Classification

As of December 31, 2023 and 2022, the Company's classification of its accounts is as follows:

2023

	Current	Non-current	Total
Assets			
Cash and cash equivalents	**₱495,535,919**	**₱–**	**₱495,535,919**
Financial assets:			
Financial assets at FVTPL	**130,391,482**	**–**	**130,391,482**
Loans and receivables-net	**115,578,508**	**1,525,125**	**117,103,633**
Prepayments and accrued income	**17,419,692**	**–**	**17,419,692**
Investments in trust funds	**5,986,535,128**	**11,988,710,885**	**17,975,246,013**
Insurance premium fund	**165,276,756**	**99,572,142**	**264,848,898**
Property and equipment	**–**	**38,427,444**	**38,427,444**
Service assets - memorial lots	**–**	**4,497,650,718**	**4,497,650,718**
Other assets	**–**	**87,166,508**	**87,166,508**
Total Assets	**₱6,910,737,484**	**₱16,713,052,822**	**₱23,623,790,307**
Liabilities			
Accrued expenses and other liabilities	**₱5,446,360,887**	**₱–**	**₱5,446,360,887**
Pre-need reserves	**1,237,671,800**	**11,467,315,292**	**12,704,987,091**
Other reserves	**1,540,282**	**181,759,271**	**183,299,552**
Net pension liability	**–**	**2,755,854**	**2,755,854**
Deferred tax liability	**–**	**883,300,452**	**883,300,452**
Total Liabilities	**₱6,685,572,969**	**₱12,535,130,868**	**₱19,220,703,836**

2022

	Current	Non-current	Total
Assets			
Cash and cash equivalents	₱717,826,534	₱–	₱717,826,534
Financial assets:			
Financial assets at FVTPL	106,667,032	–	106,667,032
Loans and receivables-net	101,659,509	2,795,630	104,455,139
Prepayments and accrued income	15,055,142	–	15,055,142
Investments in trust funds	7,535,415,152	11,087,991,609	18,623,406,761
Insurance premium fund	106,102,381	144,033,746	250,136,127
Property and equipment	–	13,751,244	13,751,244
Service assets - memorial lots	–	4,663,747,394	4,663,747,394
Other assets	–	85,540,153	85,540,153
Net pension asset	–	15,265,462	15,265,462
Total Assets	₱8,582,725,750	₱16,013,125,238	₱24,595,850,988
Liabilities			
Accrued expenses and other liabilities	₱5,330,138,872	₱–	₱5,330,138,872
Pre-need reserves	1,130,249,871	12,600,084,743	13,730,334,614
Other reserves	1,806,323	201,346,205	203,152,528
Deferred tax liability	–	916,175,323	916,175,323
Total Liabilities	₱6,462,195,066	₱13,717,606,271	₱20,179,801,337

32. **Note to Statements of Cash Flows**

As of December 31, 2023 and 2022, details of the Company's non-cash investing activities follow:

	2023	2022
Contribution of service assets - memorial lots	**₱146,880,000**	₱–
Withdrawal of PPE from IPF	**25,909,163**	–

On November 2023, the Company contributed corporate service assets to ATRAM trust fund amounting to ₱146,880,000.

In January 2023, the Company, with the approval of the board of directors, transferred the 14th floor condominium unit from 'Insurance premium fund' to 'Property and equipment'. This property was replaced with various 52 Heritage Park memorial lots amounting to ₱26,190,000.

33. **Approval of Financial Statements**

The accompanying financial statements were approved and authorized for release by the Board of Directors on June 25, 2024.

34. Supplementary Information Required under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2023:

Value-Added Tax (VAT)
The Company's services are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Net receipts and output VAT declared in the Company's VAT returns follow:

	Net sales/receipts	Output VAT
Taxable sales		
Sales of services	₱355,352,812	₱42,642,337
Others	916,566,673	109,988,001
	1,271,919,485	152,630,338
Exempt sales	355,389,348	–
	₱1,627,308,833	₱152,630,338

The Company has no output VAT arising from commissions and zero-rated sales.

b. Input VAT for 2023 follows:

Balance at January 1	₱2,453,176
Current year's purchases/payments for:	
Services lodged under other accounts	20,574,947
	23,028,123
Claims for tax credit	(18,690,946)
Balance at December 31	₱4,337,177

Claims for tax credit amounting to ₱18,690,945 was deducted from output VAT paid for the year 2023.

Information on the Company's Importations
The Company has no importations during the year since the Company is not involved in importation.

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2023 follows:

Expanded withholding taxes	₱23,529,069
Withholding taxes on compensation and benefits	14,808,036
Final withholding taxes	2,797,636
Withholding VAT	1,257,958
	₱42,392,699

Fringe Benefit Taxes
Fringe benefit taxes for the year ended December 31, 2023 amounted to ₱939,877.

Other Taxes and Licenses
This includes all other taxes, local and national, including licenses and permit fees, and documentary stamp taxes lodged under the caption "Taxes and licenses" account under the "General and administrative expenses" and "Cost of contracts issued" sections in the statements of income.

Details consist of the following:

Cost of contracts issued:	
IC registration fee	₱792,958
Documentary stamp taxes	1,313,814
General and administrative expenses:	
License and permits fees	2,977,910
Real property tax	84,271
Others	366,745
	₱5,535,698